



The Rise of Preferential Trade Agreements (PTAs): A Review from the Perspective of the South*

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Abstract

There has been witnessed a big shift in the world trade over the last two decades. Since the early 1990s, there has been an increase in the number of bilateral, regional or cross-regional preferential trade agreements (PTAs) in the global trade system, and more recently, this trend has been accelerating. On the other hand, the importance of developing countries (the South) in global economy and especially trade among them (South-South trade), has been growing rapidly. In this vein, the purpose of this paper is to analyze the rise of PTAs, focusing on the South perspective. The paper emphasizes that the significance of such developments should not be overlooked since they have profoundly influenced the nature of international trade relations and the policy choices and behavior of developing countries.

Key Words: Preferential Trade Agreements, Trade Policy, South-South Trade, International Trade

JEL Codes: F13, F15, F59

Tercihli Ticaret Anlaşmalarının Yükselişi: Güney'in Perspektifinden Bir Bakış

Özet

Son yirmi yıldır dünya ticaretinde büyük bir değişim yaşanmaktadır. 1990'ların başından bu yana dünya ticaret sisteminde ikili, bölgesel veya bölgeler arası tercihli ticaret anlaşmalarının sayısında önemli bir artış olmuş, bu eğilim son dönemde daha da hız kazanmıştır. Öte yandan gelişmekte olan ülkelerin (Güney), dünya ekonomisindeki ağırlıkları ve özellikle kendi aralarında yaptıkları ticaret (Güney-Güney ticareti) hızla artmaktadır. Bu çerçevede, bu çalışmanın temel amacı tercihli ticaret anlaşmalarındaki artışı Güney'in bakış açısıyla incelemektir. Çalışma bahse konu gelişmelerin öneminin gözden uzak tutulmamasını önermekte ve bu savı anılan gelişmelerin uluslararası ticari ilişkilerin yapısını ve gelişme yolundaki ülkelerin davranışlarını ve politika seçeneklerini derinden etkilemesine bağlamaktadır.

Anahtar Kelimeler: Tercihli Ticaret Anlaşmaları, Ticaret Politikası, Güney-Güney Ticareti, Uluslararası Ticaret

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1. Introduction

There has been witnessed a big shift in the world trade over the last two decades. The importance of developing countries in global economy and especially trade among them has been growing rapidly. On the other hand, since the early 1990s, there has been an increase in the number of bilateral, regional and cross-regional preferential trade agreements (PTAs)¹ in the global trade system. In the same period, the attractiveness of World Trade Organization (WTO) membership and multilateral trade negotiations for developing countries has also been popular.

The surge in PTAs has continued unabated since the early 1990s. The WTO website on PTAs notes that "some 474 PTAs have been notified to the General Agreement on Tariffs and Trade (GATT)/WTO up to July 2010. Of

these, 351 PTAs were notified under Article XXIV of the GATT 1947 or GATT 1994 (goods); 31 under the Enabling Clause; and 92 under Article V of the General Agreement on Trade in Services (GATS). At the same date, 283 agreements were in force. If we take into account PTAs which are in force but have not been notified, those signed but not yet in force, those currently being negotiated, and those in the proposal stage, we arrive at a figure of close to 500 PTAs which are scheduled to be implemented by mid-2011. Of these PTAs, free trade agreements and partial scope agreements account for over 90 percent, while customs unions account for less than 10 percent"² (WTO, 2010a).

Since 2006, the impasse in the WTO Doha Round negotiations has further strengthened this trend and exacerbated the gap between the preferential and WTO trade negotiations. Only from January 2009 to July 2010, a further 53 PTAs were notified to the WTO raising the total number of PTAs notified and in force to 283 (WTO, 2010b). Many agreements are also being negotiated

¹ Although there are some differences among the terms of preferential, free or regional trade agreements and economic integration arrangements (shortly regionalism), in this paper, the term preferential trade agreements (PTAs) is, more precisely, used to refer to all of them (Bhagwati, 2002:108-120; Wolf, 2009:7).

and being considered². Currently, the trade between PTA partners accounts for almost 50 percent of global merchandise trade (Sally, 2009:1).

The proliferation of PTAs presents developing countries with challenges and opportunities. Although the promotion of trade liberalization through PTAs can foster economic development by integrating developing countries into the world economy, the development of complex networks of preferential trade relations may increase discrimination and undermine the multilateral process and transparency and predictability of international trade relations. In addition, they can lead to trade diversion in a way that hurts both member countries and, more importantly, excluded developing countries (WB, 2005; Bhagwati, 2008; Sally, 2009).

The literature reminds us that the design and implementation of PTAs matter hugely. So, two main questions should be addressed for developing countries: a) What are the characteristics of PTAs that profoundly affect the development of developing countries? b) Which challenges does the proliferation of PTAs pose to developing countries, and how can these challenges be managed?

In this vein, the main purpose of this paper is to analyze the rise of PTAs, focusing on the South perspective. The paper emphasizes that the significance of such developments should not be overlooked since they have profoundly influenced the nature of international trade relations and the policy choices and behavior of developing countries. Hence, it is important to recognize the importance of ways to design and implement PTAs to maximize their benefits and minimize their costs to developing countries.

In this perspective, the paper consists of four main parts: Firstly, the features of PTAs are analyzed with the historical background and current trends (section 2). In this part, the current initiatives of the European Union (EU) and the United States (US) are mentioned. Secondly, the results of some case studies are summarized (section 3). Thirdly, the challenges to developing countries are evaluated (section 4). Fourthly, the official documents of Group-77 (G-77) under the United Nations (UN) are reviewed to understand the priorities of developing countries on international trade negotiations in general, on PTAs in particular (section 5). The paper is finalized with the concluding remarks.

2. Main Trends in and Characteristics of PTAs

2.1. A Concise Historical Perspective

Over the last two decades, the proliferation of PTAs has been associated with a combination of multilateral and regional dynamics, geo-political developments in the late 1980s and early 1990s as well as individual countries' policy choices (Fiorentino et al., 2007:12-13; WB, 2005:49-53). At the multilateral level, the Uruguay Round

(1986-1994) had prompted several countries (especially the US) to pursue PTAs as an insurance against an eventual failure of the multilateral trade negotiations. The current stalemate in WTO Doha multilateral negotiations has strengthened the same trend at broader scale. At the regional level, the collapse of the Soviet Union had generated a new cluster of PTAs between Transition economies and the EU and the EFTA as well as among Transition economies themselves. At the country level, the predominance of EU PTAs began to be challenged by the PTA policy of countries that had traditionally been agnostic to such preferential agreements. In the 1990s we saw the establishment of NAFTA, MERCOSUR and AFTA which had a domino effect on other countries' decisions to pursue PTAs³; we also saw the emergence of a policy of "competitive regionalism" whereby countries such as Chile, Mexico, Singapore and South Korea engaged in forging preferential relations with their major trading partners (Fiorentino et al., 2007:13).

PTAs among developing countries are also increasing. Key developing countries -China, India, Chile, Mexico and Brazil- appear almost to be competing among each other to establish the PTAs. The result of this race is an increasing number of South-South PTAs under negotiation⁴.

On the other hand, historically the regional integration phenomenon is not new for developing countries. But the current proliferation of PTAs has important new aspects. As Majluf (2004:3) states, in the 1960s and 1970s, "regionalism (PTAs) normally involved countries at more or less similar levels of development, usually in close geographical proximity and focused predominantly on the liberalization of trade in goods by dismantling tariffs and border barriers. Regionalism was conceived of basically as an instrument supporting national developmental policies, as it was mainly oriented to overcoming market-size limitations faced by import-substituting industrialization policies at the national level".

However, today, South-South PTAs is considered as a developmental option in itself, promoting competitiveness and the effective integration of economies into the global economy as the means to increase overall welfare in all members of the PTA. From this perspective, one might expect that developmental strategies and policies would be embodied in the norms and disciplines of the PTAs, but the absence of any such ideas in most PTAs highlights the lack of clarity on what such strategies and policies should be (Majluf, 2004:3). This is very critical because the new PTAs, by locking in a wide range of policies and instruments, may well preclude "policy space" available for adopting adequate development-oriented policies (Majluf, 2004:11-12). This is perhaps one of the more significant differences with earlier regionalism, and one of the main challenges currently confronting developing countries.

² For updated and detailed list of existing PTAs and major ongoing negotiations: WTO (2010b), Regional Trade Agreements Information System (RTA-IS), <<http://rtais.wto.org/UI/PublicMaintainRTAHome.aspx>> (October 27, 2010). Also for a critical view: <<http://www.bilaterals.org>>.

³ The "domino effect" has been identified as playing an important role in promoting the new regionalism; with countries increasingly engaging in new PTAs as a means of counteracting perceived negative effects of discrimination and marginalization as others form PTAs.

⁴ For updated and detailed list: WTO (2010b).

Today, nearly all countries belong to at least one PTA, and some are party to numerous agreements. There is a considerable variation across regions and levels of development. Northern countries have participated to the greatest extent. A substantial number of developing countries have signed PTAs with a Northern partner (Fiorentino et al., 2007:10-25). Even countries traditionally committed to non-preferential liberalization (MFN-based) under WTO negotiations, such as East Asian countries (Japan and South Korea), have shifted their long-standing policies and are now actively pursuing the PTAs option.

The attractiveness of PTAs depends on three key attributes, namely speed, flexibility and selectivity (WB, 2005:11; Wolf, 2009:8). Although negotiation of PTAs may take years to conclude, they seem quicker to conclude in recent years. Unlike WTO negotiations, fewer parties mean that PTAs be wrapped-up within a shorter period of time. This is usually very attractive to both politicians and business communities who are looking for quick results. PTAs afford their parties flexibility in terms of the desired trade policy scope and choice of partners. They have increasingly been designed to cover much more than liberalization of conventional trade restrictions (tariffs and quotas). They can enter into new areas where there is no consensus among WTO members in the multilateral negotiations. In terms of the so-called WTO plus (WTO+) issues, many PTAs include references to services, competition, technical standards, labor standards, environment, government procurement, intellectual property rights, investments, labor and environment issues; however, the treatment of these trade policy issues varies in a broad range (WB, 2005:35).

It should be clear that PTAs are far from homogeneous, and defy general description. One useful way to group them is to analyze the common features of PTAs conducted as between partners of various levels of development. PTAs can generally be classified into three subtitles in this perspective⁵:

- North-North (developed country-developed country),
- North-South (developed country-developing country),
- South-South (developing country-developing country)

Notable differences are emerging between the North-South PTAs and South-South PTAs. In the broadest of terms, the South-South PTAs are often less comprehensive in terms of trade liberalization and coverage of trade related areas than those found in North-South PTAs. The difference of North-South PTAs stems from the overriding desire of the Southern partner to secure market access in the markets of the Northern partner in

exchange for provide access to their services markets and guarantees in many non-trade areas (naturally under an asymmetric bargaining process) (WB, 2005:35-36).

2.2. The Features of PTAs

PTAs have several distinct characteristics that influenced the developing countries in terms of their economic policy space and developments. Key facets of these agreements have been described as follows:

- Market access (mainly reduction in the tariffs and quantitative measures) in merchandise trade is the main part of the all PTAs. Tariffs on most non-agricultural products are bound at zero (compatible with WTO's "substantially all trade" rule for PTAs in the GATT 1994, Article XXIV).

- Exclusion and delayed liberalization of sensitive products, including agricultural products is common, and this can limit development payoffs of PTAs. Some exclusions are due to be phased out according to lengthy timetables (more than 10 years).

- Trade facilitation (transportation, customs procedures, technical harmonization etc.) measures receive more policymaker's attention when they are embedded in an PTA, and they often have positive trade-creating effects for all trade partners. In this perspective, PTAs are often used as instruments for domestic reform in these areas where the multilateral system (WTO) offers a weaker leverage.

- The EU and US are playing a prominent role in the proliferation of North-South PTAs⁶. They seek PTAs that go beyond simple tariff removal to include rules governing services, protection of intellectual property, and adherence to health, labor, and environmental standards. From such "hub" countries' perspective⁷, at one end of the spectrum, US PTAs usually involve the most explicit negotiations for market access in services and US-style rules for investment and intellectual property. The EU market access agreements heavily contain market access provision in services, but tend to reinforce prevailing international rules for intellectual property; its Economic Partnership Agreements in Africa use development assistance in combination with trade preferences to promote rules beyond international agreements, including EU-style concerns for competition policy and geographical indications (WB, 2005:98).

- More specifically in the North-South PTAs;
 - Intellectual property rights are conventionally accorded stronger protections (comprehensive new rules) than under the WTO's trade-related aspects of intellectual property rights (TRIPs) agreement, with investor-state suits permitted in the event of disputes.
 - Investment protections, with provisions for

⁵The North versus South terminology is the socio-economic and political division that exists between the developed countries, known collectively as "the North", and the developing countries, known as "the South". Although most nations comprising "the North" are located in the Northern Hemisphere (with the notable exceptions of Australia and New Zealand), the divide is not primarily defined by geography. The terminology popularized by German Chancellor Willy Brandt in the 1970s, is mostly used in the UN platforms, in particular the United Nations Conference on Trade and Development (UNCTAD).

⁶Full updated list of PTAs; for the EU: < <http://ec.europa.eu/trade/creating-opportunities/bilateral-relations>>, for the US: < <http://www.ustr.gov/trade-agreements/free-trade-agreements>> (October 27, 2010).

⁷In the regional integration literature, the hub-and-spoke concept is mostly-cited. A "hub-and-spoke" structure refers to a set of trade relationships in which a dominant (hub) country simultaneously has separate PTAs with individual smaller countries (spokes), which do not normally form PTAs between themselves -analogous to a hub-and-spoke system in air transportation (Majluf, 2004: 5).

national treatment and nondiscrimination in pre-establishment provisions for companies based in each others markets are beyond the WTO trade-related investment measures (TRIMs) agreement. The US and EU PTAs have enhanced market access through negative-list and positive-list (respectively) pre-establishment rights, and the US has implemented investor-state dispute settlement mechanisms that empower foreign investors to seek arbitration awards in cases of uncompensated expropriation or other violations of treaties (IISD, 2004:6).

- More disappointing from a development perspective is the minimal attention given to creating opportunities for labor services-that is the temporary movement of workers (Mode 4 in services under the WTO GATS jargon), particularly unskilled workers⁸. In neither North-South nor South-South agreements is there evidence of much activity. In the wake of the September 11, 2001 (9/11), attacks on the US, concerns for security have made cross-border movement of all persons subject to greater controls and scrutiny (WB, 2005:118). So, the “after 9/11 atmosphere” and current global economic crisis do not prospect well for expanding programs for temporary workers.

- Most of the recent PTAs contain political or geopolitical considerations. For North-South agreements, Northern partners often have a complex mix of rationales beyond trade-rooted in foreign policy, commercial diplomacy, and development policy. As Maur (2005) argues, trade policy has always been a main instrument of external relations for the EU (Euro-med agreements, Everything-But-Arms (EBAs) arrangement, enlargement and new neighborhood policy). The US appears to be using PTAs for similar priorities (war on terrorism, immigration policy, trade diplomacy and other geopolitical factors). For developing countries negotiating with more powerful developed countries, there is usually the expectation of exclusive preferential benefits, as well as expectations of development assistance and other non-trade rewards (political and security considerations). Furthermore some PTAs have been considered as the bedrock for greater political stability.

- PTAs can also be useful for negotiators of developing countries to learn how to negotiate, thus contributing to reinforcing a country’s trade institutions. Besides, North-South PTAs are also most likely to include provisions providing for technical assistance and capacity building. There is a strong element of this in the Euro-Med agreements, with powerful budgets to back it up, in areas ranging from environmental protection to investment promotion. NAFTA also has a significant element of this sort of exercise built into the side agreement on environment-the North American Agreement on Environmental Cooperation (WB, 2005:92).

⁸For the importance of such issue for the development of the South: Bhagwati (2004) and Rodrik et al. (2005).

- In recent years, the provisions about labor protections and environment issues are included prominently in the North-South PTAs. Dispute settlement panels are empowered to impose monetary fines rather than using trade sanctions to force compliance.

2.3. Current US and EU Initiatives on PTAs

Currently US initiated a new trade policy approach⁹ to require stricter, enforceable labor and environmental provisions (among others) in trade agreements in May 2007. The agreement to require stricter, enforceable labor and environmental provisions in trade agreements must sound like progress but “it will do nothing to improve prospects for trade liberalization and development; instead, in the process deprive developing countries of opportunities for economic growth, which is the key to raising local labor and environmental standards” (Cato, 2007:2).

These topics have also been controversial issues at the WTO platform for a decade. Generally there has been consensus view that enforceable, stringent labor standards would be opposed by virtually all developing countries since WTO Seattle Ministerial meetings (1999)¹⁰. It is not that they oppose better local labor and environmental conditions. Rather, they fear that developed countries, at the behest of their own import-competing interests, will use those provisions as a “fig leaf” to achieve protectionist outcomes (Cato, 2007:2; Bhagwati, 2004:122).

On the other hand, while the EU historically has been a leading force for PTAs, its main priority for the 2000-2006 period was negotiating the comprehensive WTO Doha Round agreement. Soon after the Doha Round of multilateral trade negotiations came to a standstill in July 2006, the EU announced an ambitious agenda¹¹ to enter into more PTAs. The new EC’s policy text shows that the key economic criteria for new PTA partners should be the market potential (economic size and growth), the level of protection against EU export interests (including tariffs, non-tariff barriers (NTBs) as well as services, harmonization of technical requirements and standards, protection of intellectual property rights, liberalization of investment and capital flows, cooperation on competition policies, government procurement, environmental and social considerations, trade defence instruments, and dispute settlement) and its potential partners’ negotiations with EU competitors. It will also consider political criteria such as human rights record, democratic credentials, regional role, adherence to key multilateral instruments or geostrategic relevance in the context of the EU’s Security Strategy (EC, 2006). Thus, these initiatives of US and EU on PTAs have led to new challenges to the developing countries.

⁹USTR (2007), Bipartisan Agreement on Trade Policy (May 11, 2007). For a short evaluation: Krugman (2007).

¹⁰In 1996 WTO Singapore Ministerial Meeting concluded with a strong statement of consensus on the issue of labor standards. The statement declared support for core labor standards while simultaneously opposing the idea of enforceable labor standards in trade agreements.

¹¹EC (2006), “Global Europe: Competing In the World”, Staff Working Document, October 4, 2006.

2.4. Focusing on the South-South PTAs

The South-South PTAs tend to focus primarily on market access, on tariff barriers and to lesser extent NTBs. As WB (2005:14) argues, some South-South agreements are better at focusing on merchandise trade, minimizing exclusions, adopting less restrictive rules of origin, and lowering the border costs. For example, the Caribbean Community (CARICOM) and the Common Market of Eastern and Southern Africa (COMESA) have had some success in reducing border costs.

Unlike North-South PTAs, the South-South agreements tend to feature services liberalization less prominently, and their rules governing investment, intellectual property, and even the temporary movement of workers, are commonly weak or absent altogether. Virtually all of major agreements contain references to services liberalization. However, most of the South-South agreements have not liberalized many sectors, and some have not implemented accords in the way that was anticipated at signing (like MERCOSUR and most of PTAs in Africa and Asia) (WB, 2005:103; Sally, 2009:5-11). Investment provisions have differed as well. South-South PTAs generally have been less ambitious with respect to investor protections. Some agreements provide for investor-state dispute resolution, though these protections are less strong than in the North-South Agreements. Intellectual property rights rarely go beyond disciplines negotiated at the multilateral level, and they do not have the tightly formulated provisions that characterize the North-South agreements, notably those with the US (IISD, 2004:29).

In general, South-South PTAs have suffered from their small market size and economic similarity. Theoretically South-South PTAs involving small countries are the least likely to produce gains for their members for several reasons (Mayda et al., 2007:6-7). First, developing countries tend to have a comparative advantage in the same sectors; the reason is that low-income countries tend to have similar relative factors endowments; therefore the incentive to trade with each other is smaller than for dissimilar countries. By this reasoning, South-South PTAs are likely to lead to trade diversion as opposed to trade creation. Second, low-income and small PTA partner countries are less likely to produce efficiency gains linked to economies of scale and to trigger pro-competitive effects for local producers. The reason is that South-South PTAs offer their members access to smaller markets than do North-South agreements. In addition, firms in PTA member countries with developing economies may not be much more efficient than home firms. Therefore, competitive pressure on domestic producers may not be very strong. Finally, because tariffs constitute a large proportion of developing countries' domestic revenues, the loss of tariff revenue may hurt a developing country's fiscal position more than a developed country's. In Uganda, for example, tariff revenue declined significantly (by 8 percent of GDP) after the inception of COMESA (Mayda et al., 2007:7). For these and other reasons, some researchers think developing countries gain more economically from the North-South PTAs than from South-South PTAs.

3. Case Studies on the South-South PTAs

Although the South-South PTAs are proliferating, the impact of these agreements is largely unknown and the empirical evidence about their trade effects is mixed. The reason for this uncertainty is not only the complexity of many PTAs, but also the multitude of metrics used to assess them from an economic point of view (Cernat, 2003:7).

The most widely used and simplest measure of integration is the trend in the share of imports from PTA partners in the total imports (or rarely the concentration ratios). Successful PTAs might be expected to increase trade between partners relative to those countries' trade with the rest of the world (trade creation/positive welfare effects). However, with the use of these imperfect indicators, trade statistics on the South-South PTAs show that trade is not increasingly becoming concentrated within PTAs; and the result is mixed (Appendix Tables 3-4) (see for detailed statistics: UNCTAD, 2010:22-26)¹².

Given the ambiguity and contradictory results of analysis of trade data, it is necessary to go beyond simple trade terms and shares to identify the economic impact of PTAs among developing countries. PTAs have now much more complex structures, and the analytical tools have evolved to take into account the new realities (non-trade issues, NTBs, dynamic effects). In this perspective, the current studies on this issue rely on two widely used methodologies to assess the impact of several South-South PTAs, namely the gravity models and computed general equilibrium models (CGE). While the gravity models are best suited for ex-post analyses; for ex-ante studies the CGE models widely used. Because of the complex nature of PTAs and the interplay between a large arrays of variables incorporated in these models, CGE models are well suited to analyzing the likely consequences of envisaged PTAs¹³.

In this perspective, five mostly-cited empirical studies have been summarized for the literature review: Cernat (2003), OECD (2006), Mayda et al. (2007), WB (2000) and (2005).

An UNCTAD working paper (Cernat, 2003) uses a gravity model to analyze ex-post the trade effects of

¹² Indeed, the share of intra-regional trade in Asia in the rise of South-South trade also partly explains the observed inverse correlation between the number of PTAs and intra-regional trade shares. Because, Asia has only a few major PTAs while Latin America and Africa have a large number of PTAs.

¹³ At this point, "it is very important to distinguish hype from reality. PTA hype comes from politicians, officials, and indeed academics and consultants commissioned to do CGE modelling to demonstrate big welfare gains from PTAs. CGE models tend to assume clean and comprehensive PTAs. The reality is that these agreements are weak-to-very weak: they are partial, somewhat dirty and mostly "trade-light". At the weaker end of the spectrum, PTAs are limited to preferential tariff cuts on a limited range of goods. The stronger PTAs take 90 per cent of tariff lines down to zero (more or less). They also contain provisions on tackling NTBs and liberalising services and investment. But these are very weak and have resulted in hardly any net liberalisation. Many South-South PTAs are advertised as "WTO-plus" in the literature. This might be literally true. But that means little in practice, for WTO disciplines on export restrictions, services, investment, government procurement and a host of other regulatory barriers are also weak-to-very weak" (Sally, 2009:5-6).

seven South-South PTAs (AFTA, Andean Community, CARICOM, COMESA, ECOWAS, MERCOSUR, SADC), and a CGE model for an ex-ante analysis of a Framework Agreement on Trade Preferential System (FATPS) among the member States of the Organization of the Islamic Conference. The gravity models results have shown that with the exception of the Andean Community and MERCOSUR, which seemed to have reduced trade with non-members, the other South-South PTAs examined are not only trade-creating but also trade-expanding, increasing overall trade, even with third countries, sometimes quite significantly. In the case of FATPS, the ex-ante static CGE results suggest that, despite some potential for trade diversion, the net effect is trade creation. The results suggest that FATPS has a significant potential for overall trade expansion, increasing the potential intra-regional trade of members by as much as 6.15 per cent, in the case of Bangladesh. More modest results are computed for the African countries (Uganda and Mozambique), whose total exports change only marginally in the experiment. At the same time, in percentage terms, the third countries experience very minor reductions in their overall exports. Furthermore, the paper emphasizes that beyond these economic effects, PTAs can be very much part of a larger framework for regional cooperation aimed at promoting regional stability, sound and coordinated economic policies and a better regional economic infrastructure. Although difficult to quantify, all these improvements may have a number of positive spillover effects that should be taken into account when assessing the overall impact of South-South PTAs.

Another comprehensive study, OECD (2006), uses descriptive statistics and gravity methodology to help understand past trends in the South-South goods and services trade. The analysis of goods trade indicates that South-South trade barriers are still much higher than those for other types of trade and that South-South trade is severely constrained by distance-related trade costs. The econometric modeling also suggests that reducing South-South tariff barriers can have a major impact on trade flows whereas an equivalent reduction in North-North or North-South tariff barriers would have less impact. According to the analytical part of study, on average, a 10 percent tariff cut is estimated to be associated with a 1.6 percent increase in exports. This suggests a considerable scope for trade policy to boost trade between low- and lower-middle-income countries, and thus help boost economic development.

In the same study, the analysis of commercial services trade argues that such trade between developing countries is predominantly regional and may reflect an increasing tendency to incorporate disciplines to liberalize services trade in PTAs. It is estimated that cross-border South-South services exports represent around 10 percent of world exports. The results suggest that there is further scope for increasing developing country services exports in general and for services trade between developing countries in particular.

On the other hand, an IMF working paper including a broad review on this subject, Mayda and Steinberg (2007), focuses on the static effects of South-South PTAs stemming from changes in trade patterns. Specifically, it estimates the impact of the COMESA on Uganda's imports between 1994 and 2003. The analysis focuses on COMESA, as it is a good example of a South-South PTA involving small economies. The paper finds that -in contrast to evidence from aggregate statistics-COMESA's preferential tariff liberalization has not considerably increased Uganda's trade with member countries, on average across sectors. The effect, however, is heterogeneous across sectors.

In parallel, two World Bank research (WB, 2000; 2005) have concluded that South-South regional blocs are problematic in several respects. The analysis of the relationship between regionalism, as expressed in South-South agreements and development has not yet received all the attention it deserves. According to previous study, although South-South agreements can be made to work, a number of PTAs have had negative or ambiguous effects on income, and agreements between richer and poorer developing countries are likely to generate losses for the poorer ones when their imports are diverted towards the richer member whose firms are internationally more competitive. Apart from small non-trade benefits, South-South PTAs between two or more poor countries are very likely to generate trade diversion, especially when external tariffs are high.

Finally, the results of the literature review on South-South PTAs suggest three important conclusions for developing countries. Firstly, despite their increased popularity, regional and bilateral PTAs have not contributed in a significant way to the rapid expansion of intra-developing country trade over the last two decades. Secondly, the developing countries still maintain higher tariff and NTBs on average than the developed countries. The persistence of these barriers suggests the potential for further trade liberalization and consequent expansion of South-South trade. Lastly, beyond the conventional barriers (tariffs and quotas), the major obstacles faced by many developing countries are relatively high transport, insurance and communication costs, difficulties in trade financing and insufficient marketing and distribution skills. The lack of product diversification can also be an obstacle as dependence on a few primary products facing sluggish long-term demand constitutes a structural handicap for the expansion of trade. This means that trade policies need to be complemented by measures that address these infrastructure and supply-side bottlenecks (WB, 2005:147).

On the other hand, two critical questions should be emphasized. First, if economic gains are minimal or uncertain, what other factors might explain the increased popularity of South-South PTAs? One explanation may be that such arrangements promote noneconomic benefits (political benefits). Second, given the limited capacity of institutions in the South, are resources efficiently spent in the negotiation and implementation of South-South

trade agreements? Such an analysis would better inform efforts to promote trade in developing countries where institutions are weak and resources scarce (Mayda et al., 2007:17).

4. Challenges to Developing Countries

4.1. The South-South PTAs as the Spaghetti Bowl Phenomenon

As PTAs proliferate, a single developing country often becomes a member of several different agreements. The average African country belongs to four different agreements, and the average Latin America country belongs to seven agreements (WB, 2005:12). This creates a “spaghetti bowl” or “noodle bowl” of overlapping arrangements (Bhagwati, 2008:61-70). Each agreement has different rules of origin, tariff reduction schedules, technical standards and periods of implementation, and thereby together they raise the costs for both firms and public agencies. This complexity not only undermines the works toward greater trade facilitation in developing countries but also complicates to inform exporters about reaping opportunities of PTAs.

In fact, the criticism in the literature is undoubtedly right in that PTAs make the trade regimes complex and difficult to manage, especially for developing countries. Future PTAs could further complicate the trading environment creating a web of incoherent rules and detract from multilateral efforts, given their limited resources available. In this perspective, there would be significant benefits, in terms of lower administrative costs and more effective implementation, from a rationalization of the current structure of overlapping agreements.

4.2. Hidden Protectionism Through the Rules of Origin and NTBs

The PTAs depend mainly on the rules of origin rule to prevent the trade diversion; so rules of origin are the main integral to their legal texts. In general, the rules of origin in the North-South agreements are more restrictive than those adopted by the South-South agreements. A feature of both EU and US agreements is the high degree of variation in rules of origin across product categories, and different rules are specified for different products. The different rules of origin complicate the production processes of business who may be obliged to tailor their products for different preferential markets in order to satisfy such rules.

More importantly, specifying rules of origin on a product by product basis offers incentives for sectoral interests to influence the specification of the rules in a protectionist way (Panagariya, 2002). Thus, restrictive rules of origin can easily wipe out any margin of preference generated by a trade agreement¹⁴. In addition, other WTO-plus provisions in the PTAs have usually been used as NTBs in recent years (UNCTAD, 2006:81).

¹⁴WB (2005:70) quotes from Cadot et al. (2002) that in NAFTA case, for sectors where tariff cuts are larger than average, the rules of origin are more restrictive and the rate of use of preferences by Mexican exporters lower than average. They conclude that rules of origin are the “prime culprit” for the very modest impact of NAFTA on Mexican exports identified by other researchers.

4.3. Design, Implementation and Monitoring Issues

Empirically there is no strong evidence to support the claim that a PTA will be net trade creating or that all members will benefit (positive welfare effect). Positive outcomes depend hugely on proper design and effective implementation (WB, 2005). Well designed agreements are of limited value if they are not implemented, and many PTAs have more life on paper than in reality. If different agreements have different product coverage, different liberalization schedules, and different rules of origin, the ability of agencies such as customs and trade authorities to apply the agreements and to inform exporters about benefits of agreements is severely undermined. The administrative capacity to effectively implement is a crucial issue that developing countries should consider before signing a PTA.

Lack of effective implementation has been a major factor limiting the impact of many PTAs in Africa, South America, and South Asia. Most South-South PTAs are still behind their original schedule. This slow progress in regional integration has led many observers to conclude that significant economic advantages from integration have rarely been reaped in terms of export diversification, increased international competitiveness, more efficient allocation of resources, or significant stimulation of production and investment in the region (WB, 2005:69). So, it has to be said that only relatively few integration schemes among developing countries have effectively achieved their integration objectives.

On the other hand, monitoring can play an important role in providing for effective implementation of South-South agreements, but often there is insufficient monitoring as well. Monitoring mechanisms are often inadequate and do not receive the sustained high-level political attention necessary to drive institutional improvements. Technical reviews are frequently not done, and when reports are made, senior officials fail to act on their recommendations (WB, 2005:74).

In this vein, in order to assess the impact of PTAs, information is needed on the extent to which the agreement’s provisions are being implemented and how they are affecting decisions by producers and consumers. More extensive monitoring could make an important contribution to the implementation of many trade agreements.

4.4. PTAs as a Part of Wider Sound Domestic Agenda

A prerequisite for the success of any trade policy is that it be integrated into a sound domestic policy framework. Indeed, PTAs can reinforce positive elements in the domestic reform program by anchoring policy to the agreement itself. Agreements that have been designed to complement a general program of economic reform have been most effective in raising trade and welfare.

One advantage of PTAs is that they create opportunities to lower trade costs in areas other than tariffs and NTBs to trade. In principle, PTAs that address a wider range of barriers (deeper agreements) can have a greater impact on

trade flows and incomes; because logistical, institutional, and regulatory barriers are often more costly than tariffs in developing world (WB, 2005:77). But the bottom line for development perspective is that a PTA cannot substitute for sound domestic policies.

However, most South-South PTAs have contributed little to reducing the associated trade costs; and crossing borders between most developing countries is still a major impediment to trade (Coulibaly et al., 2004). North-South agreements appear to have had somewhat greater success, perhaps because of the institutional interests and strength of the more advanced partner.

4.5. Increasing the Risk of Marginalization to Small Developing Countries

Some developing countries (the spokes in the hub-and-spoke analogy) are signing bilateral agreements with each other and with other hubs. Inevitably many developing countries get left out of PTAs due to the lack of administrative capacity, high costs of many separate negotiations, unfavorable political conditions and trade policy priorities of other countries. Countries as diverse as India, Peru, Mali, Pakistan, and Sri Lanka do not enjoy the same level of access to the United States or the EU as Chile, Jordan, or Mexico.

On the other hand, PTAs can also undercut the incentives of governments to press for multilateral arrangements. In other words, developing countries with low-income level have diverted scarce negotiating resources to PTA negotiations at the expense of more active participation in the WTO negotiations. To mitigate the effects of exclusions for very low-income countries as the result of regionalism is becoming critical for the development perspective.

4.6. The Departure from WTO's Negotiation Ground to Bilateral Tables

One of the main aims of developed countries in North-South PTAs is to expand their trade agenda beyond what is currently possible in the WTO negotiations, and to set WTO-plus standards with the ultimate goal of spreading those standards worldwide, if possible through the WTO. This is the case, for example, with labor rights and environmental standards in agreements promoted by the US, and also the case of the Singapore issues (investment, competition, public procurement and trade facilitation), and TRIPs-plus disciplines, on which rule-making is rapidly evolving in different PTAs¹⁵.

The North-South agreements are not seen as stumbling blocks to the multilateral trade system, but as a mechanism to foster developed countries' own trade agenda and as precedent setting (WB, 2005). Facing the Seattle (1999), Cancun (2003) and Hong Kong (2005)

¹⁵Ironically, investment, IPRs and labor standards are the areas where the development potential is largely unproven (Panagariya, 1999; Krugman, 2007). The general conclusion for these issues is that countries have to develop a domestic policy strategy appropriate to their level of development, and then analyze carefully which if any IPR, labor and investment inter alia provisions ought to be contained in PTAs (TWN, 2005).

failures in the WTO negotiations, developed countries are giving priority to PTAs to promote their interests. As a result of North-South PTAs, the rule-making space is progressively shifting from the WTO to PTAs. This suggests a new scenario in which rule-making spreads through a bottom-up approach, with profound implications for the governance of the multilateral trade system, and for the possibilities of developing countries effectively to influence the setting of multilateral norms and disciplines. So, these agreements could seriously limit the policy space available to developing countries to define and implement development policies in the future.

4.7. Asymmetric Bargaining Powers Between Developed and Developing countries

For many small and weak developing countries, entering into a bilateral agreement negotiation with a powerful big country means less leverage and weaker bargaining position as compared that in the multilateral talks. It might not be the case for India, China, Brazil; it will be true for Mauritius, Sri Lanka, Cambodia or Ghana.

Large developed countries may gain more from signing individual bilateral agreements than they would from a multilateral agreement, because they can use the carrot of preferential access to extract concessions in non-trade areas from developing country partners that would be resisted in the WTO negotiating framework (But we have seen little evidence that the high-income countries have reduced their effort to bring the current multilateral negotiations to fruition).

For developing countries perspective, if one of the partner countries is a high-income, large-market economy, and if most other countries are excluded from preferential access, of course, the countries signing the first trade agreement may benefit individually and substantially, but those benefits undermine as new countries sign additional agreements. In addition, bilateral agreements cannot solve the systemic issues in the global trade system for developing countries such as problems about the rules of origin, antidumping, agricultural subsidies and especially special and differential treatment provisions. These issues simply cannot be handled at the bilateral level.

In this perspective, PTAs cannot be an alternative to multilateral trade system. Gains for all developing countries from these agreements, even under the most generous of assumptions, are usually only a fraction of those from full multilateral liberalization. A comprehensive simulation study (WB, 2005) showed that all developing countries would collectively lose if they were all to sign preferential agreements with the Quad (Canada, EU, Japan, and US). Therefore, developing countries have a powerful collective interest in an effective multilateral negotiation table (Doha Round)-even if they all are scrambling to gain preferential market access to the Quad. An open, equitable, rule-based, predictable and non-discriminatory multilateral trading system represents the best guarantee for assuring development gains for weaker members of the system. From the development

perspective, PTAs can be a complement to multilateral reform, but they are not a substitute.

5. The Perspective of Group of 77

The G-77 is (or would be) an important forum of developing countries for follow-up on multilateral and regional trade issues and the South-South cooperation¹⁶. In this part of study, the major official documents of G-77 have been examined to understand the main perspectives of the South on PTAs and multilateral trade system. According to the official statements, G-77 and China have supported the development of an open, transparent, predictable, non-discriminatory and equitable multilateral trading system. They have subordinated other trade policy instruments (bilateral, sub-regional and regional PTAs) to the priority granted to the multilateral route. Only where appropriate and necessary, bilateral or regional initiatives have been used as complements.

In fact, since early 1980s, every ministerial meeting of G-77 has stressed the rules-based multilateral trading system as one of the essential instruments for the promotion of economic development, the facilitation of developing countries' integration into the global economy, and the eradication of poverty worldwide. The G-77 has attached great importance to the WTO negotiations (especially Uruguay and current Doha Round negotiations) as a means of strengthening the multilateral trading system. Before every WTO Ministerial meetings, detailed declarations adopted by G-77 are generally prepared to address the needs of developing countries. In this vein, the G-77 Declarations on the Fourth (Doha-2001) and Fifth (Cancun-2003) WTO Ministerial Conferences were comprehensive texts which had reflected the concerns and interests of developing countries towards the current Doha Development Agenda¹⁷. In this perspective, the Group especially emphasizes that developing countries must be assisted to effectively participate and respond to the challenges and derive benefits from international trade and multilateral trade negotiations.

However, according to the official statements, the G-77 is concerned that the negotiations so far have not met the expectations of developing countries. As Declaration of Ministerial meeting of G-77 on 22 September 2006 states, "The Ministers (of G-77) expressed serious concern over the suspension of negotiations which jeopardizes the delivery on the development promises of the Doha Round for developing countries (emphasis added) and call upon the developed countries to demonstrate flexibility and

political will necessary for breaking the current impasse in the negotiations. They recognized the mandates contained in the Doha Ministerial Declaration, the WTO General Council decision of August 1, 2004 and the Hong Kong Ministerial Declaration. The Ministers called for a prompt resumption of the negotiations to place the needs and interests of developing countries, and in particular least developed countries, at the heart of the Doha Work Programme, which called for the successful and timely completion of the Doha round of trade negotiations with *the fullest realization of the development dimensions of the Doha Work Programme*" (emphasis added). The G-77 expects to the continuation of the WTO process in which specific areas of interest for developing countries, such as improving market access for their products, special and differentiated treatment and the phasing out of agricultural subsidies, among others, remain at the core of multilateral trade negotiations. They also express concern over the high incidence of anti-dumping and safeguards measures and NTBs and reiterate that they should not be used for protectionist purposes.

In terms of labor and environment issues at trade negotiations, G-77 opposes any strong linkage between trade and labor standards. They are also against the use of environmental standards as a new form of protectionism. They consider that issues relating to such standards should be dealt with by the competent international organizations (ILO and UNEP, not by the WTO) (Declaration by the G-77 and China on the Fourth WTO Ministerial Conference at Doha; Geneva, 22 October 2001) (G-77, 2010).

The G-77 has attached utmost importance to addressing the issues and difficulties faced by developing countries that have arisen in the course of the implementation of the WTO agreements. In this vein, G-77 also called for the review of TRIMS and TRIPS agreements from a development dimension with a view to minimizing any negative aspects of these agreements on the development of developing countries (Doha Second South Summit Declaration, 12-16 June 2005) (G-77, 2010).

As far as regionalism is concerned, the G-77 recognizes the importance of regional and sub regional integration. They noted that "arrangements facilitate trade and investment flows, economies of scale, economic liberalization and the integration of their members into the system of international economic relations within a framework of open regionalism, enabling progress towards a more open multilateral system". Therefore, they support to further strengthen sub-regional and regional economic groupings as well as inter-regional arrangements to promote the South-South commercial cooperation¹⁸.

¹⁶The G-77 was established on 15 June 1964 by 77 developing countries signatories of the "Joint Declaration of the 77 Countries" issued at the end of the first session of UNCTAD in Geneva. Although the members of the G-77 have increased to 130 countries, the original name has been retained because of its historic significance. The G-77 is the largest intergovernmental organization of developing states in the UN, which provides the means for the countries of the South to articulate and promote their collective economic interests and enhance their joint negotiating capacity on all major international economic issues within the UN system, and promote South-South cooperation for development (G-77, 2010).

¹⁷For the full text of declarations: G-77 (2010) and Ahmia (2006).

¹⁸From the inter-regional trade perspective, convinced of the importance of enhancing South-South trade, G-77 emphasizes substantially in every Ministerial declaration that the Global System of Trade Preferences among Developing countries (GSTP) can be a valuable means of increasing inter-regional trade. For details about GSTP: < http://www.unctadxi.org/templates/Page_1879.aspx> (October 27, 2010).

On the other hand, G-77 also recognizes that “regional and sub-regional integration amongst developing countries is essential to *reversing the process of marginalization* and constitute a dynamic building block for their effective participation into the multilateral trading system. However, the Group is concerned with PTAs, involving developed countries, which discriminate against many developing and the least developed countries. The Group, therefore, *call for the elimination of tariff differentials that discriminate against developing countries in PTAs* amongst the developed countries” (emphasis added) (Declaration by the G-77 and China on the Fourth WTO Ministerial Conference at Doha; Geneva, 22 October 2001) (G-77, 2010).

In short, the G-77 platform is an important forum for follow-up on South-South cooperation and multilateral trade negotiations. It should consider conducting an annual review of practical initiatives in promoting South-South trade to take stock of progress and provide continued follow-up to decisions taken. In this vein, UNCTAD is a key partner of the G-77. UNCTAD should increase support for the G-77 in participating multilateral trade negotiations and promoting South-South trade on a more sustained basis, including in conducting annual reviews on follow-up to recommendations adopted.

6. Conclusion

Globalization has posed new challenges to developing countries. Drawing the above constraints in PTAs, those wishing to harness international trade should see PTAs as only one possible element in a broad strategy that includes unilateral, multilateral, and regional trade policy arrangements.

Theoretically, the best outcome for all countries would be a nondiscriminatory trading system; developing countries, in particular, would benefit from a nondiscriminatory trading system because most poor people and many poor countries might find themselves excluded from PTAs. If the explosion in PTAs implies a higher probability that the majority of developing countries would face greater discrimination than under a nondiscriminatory regime, the world as a whole will be worse off, and individual developing countries may lose substantially. Developing countries collectively stand to gain much more in the WTO arena than in any smaller regional market. Moreover, the multilateral forum is the only place that developing countries, working together, can press for more open markets in sensitive sectors including agriculture and can seek disciplines on trade distorting agricultural subsidies and on contingent protection including NTBs.

Despite the lack of clarity about the welfare impact of PTAs and how to design them to ensure that they are welfare-enhancing, many developing countries are now investing considerable political capital in maintaining and attempting to foster their own PTAs. Clarity regarding the developmental impact of South-South PTAs, and on how to foster it, is crucial to maintaining the political impetus for these efforts.

As far as the role of G-77 and UNCTAD is concerned, the UNCTAD has played a decisive role in enhancing capacity-building of developing countries on trade issues, specifically trade and investment agreements. Related to the PTAs, UNCTAD and member countries should establish stronger surveillance mechanisms to document, analyze, and monitor the effects of agreements. The first possible step is to increase transparency by empowering the UNCTAD to collect and regularly make public full details of all PTAs. Expanding the information on the impact of PTAs to stakeholders -firms, consumers, public agencies- would also help ensure that the potential benefits of arrangements are both realized and distributed more equitably. Medium term efforts should focus on setting and implementing new disciplines on PTAs to rebalance the world trading system in favor of developing countries, through new trade rules adapted to the new global economic realities.

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Appendix Tables

Table 1. Global Trade (Export Data) Trends, 1950-2009*

| Million US Dollar (Current prices and exchange rates) | | | | | | | | | |
|---|--------|---------|---------|-----------|-----------|-----------|-----------|------------|------------|
| Years | 1950 | 1960 | 1970 | 1980 | 1990 | 1995 | 2000 | 2005 | 2009 |
| World | 61.835 | 129.949 | 317.080 | 2.035.542 | 3.484.312 | 5.178.972 | 6.448.493 | 10.504.579 | 12.419.054 |
| Developing economies | 21.051 | 31.722 | 60.399 | 599.757 | 846.370 | 1.436.033 | 2.056.004 | 3.806.302 | 4.908.322 |
| Transition economies | 1.954 | 6.179 | 14.479 | 85.426 | 118.709 | 121.752 | 154.514 | 363.055 | 478.651 |
| Developed economies | 38.830 | 92.047 | 242.202 | 1.350.359 | 2.519.233 | 3.621.187 | 4.237.975 | 6.335.222 | 7.032.081 |
| Developing economies: Africa | 4.423 | 7.190 | 15.804 | 121.876 | 109.331 | 114.209 | 149.375 | 317.929 | 383.631 |
| Developing economies: America | 7.176 | 9.731 | 17.309 | 111.352 | 143.911 | 229.985 | 366.509 | 576.659 | 687.216 |
| Developing economies: Asia | 9.380 | 14.615 | 26.699 | 364.287 | 590.418 | 1.087.294 | 1.535.004 | 2.905.057 | 3.830.649 |
| Developing economies: Oceania | 72 | 185 | 587 | 2.242 | 2.710 | 4.545 | 5.117 | 6.657 | 6.826 |
| Developing economies excluding China | 20.501 | 29.151 | 58.092 | 581.658 | 784.279 | 1.287.253 | 1.806.801 | 3.044.349 | 3.706.532 |
| Least developed countries | 1.933 | 3.092 | 5.218 | 14.596 | 18.338 | 24.093 | 36.173 | 83.213 | 125.924 |
| Major petroleum exporters: Developing ec. | 3.768 | 7.696 | 18.416 | 293.543 | 195.765 | 198.318 | 351.347 | 759.992 | 895.452 |
| Emerging economies | 5.952 | 6.958 | 14.425 | 130.912 | 333.426 | 653.769 | 899.106 | 1.394.301 | 1.662.280 |
| G-8 | 26.901 | 64.359 | 168.995 | 938.563 | 1.791.925 | 2.600.125 | 3.045.242 | 4.296.357 | 4.601.751 |
| G-20 | 35.910 | 77.492 | 192.313 | 1.205.365 | 2.169.166 | 3.253.593 | 4.023.404 | 6.317.441 | 7.384.072 |
| G-77 | 19.652 | 29.859 | 56.512 | 555.432 | 724.663 | 1.207.758 | 1.686.186 | 3.234.745 | 4.221.123 |

*For details of classification: <http://unctadstat.unctad.org/UnctadStatMetadata/Classifications/UNCTADstatClassificationsEn.html>.

Source: UNCTAD (2010), <http://unctadstat.unctad.org/TableViewer/tableView.aspx?ReportId=101> (October 28, 2010).

Table 2. Global Trade (Export Data) Trends, 1950-2009

| Share in the world export (percent) | | | | | | | | | |
|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Years | 1950 | 1960 | 1970 | 1980 | 1990 | 1995 | 2000 | 2005 | 2009 |
| World | 100,00 | 100,00 | 100,00 | 100,00 | 100,00 | 100,00 | 100,00 | 100,00 | 100,00 |
| Developing economies | 34,04 | 24,41 | 19,05 | 29,46 | 24,29 | 27,73 | 31,88 | 36,23 | 39,52 |
| Transition economies | 3,16 | 4,76 | 4,57 | 4,20 | 3,41 | 2,35 | 2,40 | 3,46 | 3,85 |
| Developed economies | 62,80 | 70,83 | 76,39 | 66,34 | 72,30 | 69,92 | 65,72 | 60,31 | 56,62 |
| Developing economies: Africa | 7,15 | 5,53 | 4,98 | 5,99 | 3,14 | 2,21 | 2,32 | 3,03 | 3,09 |
| Developing economies: America | 11,61 | 7,49 | 5,46 | 5,47 | 4,13 | 4,44 | 5,68 | 5,49 | 5,53 |
| Developing economies: Asia | 15,17 | 11,25 | 8,42 | 17,90 | 16,95 | 20,99 | 23,80 | 27,66 | 30,84 |
| Developing economies: Oceania | 0,12 | 0,14 | 0,18 | 0,11 | 0,08 | 0,09 | 0,08 | 0,06 | 0,05 |
| Developing economies excluding China | 33,15 | 22,43 | 18,32 | 28,58 | 22,51 | 24,86 | 28,02 | 28,98 | 29,85 |
| Least developed countries | 3,13 | 2,38 | 1,65 | 0,72 | 0,53 | 0,47 | 0,56 | 0,79 | 1,01 |
| Major petroleum exporters: Developing ec. | 6,09 | 5,92 | 5,81 | 14,42 | 5,62 | 3,83 | 5,45 | 7,23 | 7,21 |
| Emerging economies | 9,63 | 5,35 | 4,55 | 6,43 | 9,57 | 12,62 | 13,94 | 13,27 | 13,38 |
| G-8 | 43,51 | 49,53 | 53,30 | 46,11 | 51,43 | 50,21 | 47,22 | 40,90 | 37,05 |
| G-20 | 58,07 | 59,63 | 60,65 | 59,22 | 62,26 | 62,82 | 62,39 | 60,14 | 59,46 |
| G-77 | 31,78 | 22,98 | 17,82 | 27,29 | 20,80 | 23,32 | 26,15 | 30,79 | 33,99 |

Source: Calculated from Table 1.

Table 3. Merchandise Trade of selected Preferential Trade Agreements, 1950-2009

| Million US Dollar (Current prices and exchange rates) | | | | | | | | | |
|---|--------|---------|---------|-----------|-----------|-----------|-----------|------------|------------|
| Years | 1950 | 1960 | 1970 | 1980 | 1990 | 1995 | 2000 | 2005 | 2009 |
| World | 61.835 | 129.949 | 317.080 | 2.035.542 | 3.484.312 | 5.178.972 | 6.448.493 | 10.504.579 | 12.419.054 |
| Economic and Monetary Community of Central Africa (CEMAC) | 178 | 224 | 487 | 4.668 | 5.558 | 6.020 | 8.365 | 22.794 | 26.950 |
| Economic Community of the Great Lakes Countries (CEPGL) | 265 | 491 | 831 | 2.455 | 2.510 | 1.807 | 927 | 2.371 | 3.457 |
| Common Market for Eastern and Southern Africa (COMESA) | 1.430 | 2.367 | 6.436 | 34.219 | 28.155 | 23.705 | 29.834 | 63.800 | 88.185 |
| Economic Community of Central African States (ECCAS) | 524 | 842 | 1.725 | 8.921 | 11.847 | 11.503 | 17.129 | 49.152 | 71.208 |
| Economic Community of West African States (ECOWAS) | 834 | 1.361 | 2.897 | 33.337 | 21.485 | 22.214 | 30.066 | 71.799 | 73.490 |
| Mano River Union (MRU) | 137 | 374 | 842 | 4.360 | 4.749 | 5.299 | 4.622 | 8.877 | 10.090 |
| Southern African Development Community (SADC) | 1.965 | 3.709 | 6.654 | 37.250 | 38.917 | 46.243 | 53.038 | 102.843 | 135.438 |
| Arab Maghreb Union (UMA) | 648 | 878 | 4.148 | 40.648 | 36.171 | 32.533 | 48.380 | 99.253 | 107.670 |
| West African Economic and Monetary Union (WAEMU) | 292 | 339 | 800 | 4.884 | 5.202 | 6.557 | 6.387 | 12.645 | 16.391 |
| Andean Community (ANCOM) | 740 | 1.095 | 2.155 | 11.246 | 13.592 | 21.025 | 26.227 | 51.405 | 78.286 |
| Central American Common Market (CACM) | 283 | 439 | 1.108 | 4.877 | 4.519 | 9.353 | 15.488 | 21.731 | 25.130 |
| Caribbean Community (CARICOM) | 267 | 659 | 1.335 | 11.681 | 4.909 | 5.802 | 8.159 | 14.539 | 14.922 |
| Free Trade Area of the Americas (FTAA) | 18.969 | 33.899 | 75.594 | 393.904 | 658.260 | 1.002.430 | 1.418.736 | 1.836.238 | 2.054.424 |
| Latin American Integration Association (LAIA) | 5.975 | 7.774 | 13.831 | 88.302 | 131.447 | 207.528 | 331.634 | 528.537 | 638.281 |
| Mercado Común Sudamericano (MERCOSUR) | 2.825 | 2.505 | 4.808 | 29.522 | 46.418 | 70.495 | 84.624 | 163.940 | 217.644 |
| North American Free Trade Agreement (NAFTA) | 13.545 | 26.208 | 61.414 | 311.331 | 561.932 | 856.488 | 1.224.903 | 1.480.479 | 1.602.476 |
| Organization of Eastern Caribbean States (OECS) | 14 | 25 | 44 | 164 | 346 | 310 | 310 | 306 | 403 |
| Asia-Pacific Trade Agreement (APTA) | 2.321 | 4.653 | 6.102 | 46.045 | 148.738 | 312.078 | 476.000 | 1.162.188 | 1.749.474 |
| Association of South-East Asian Nations (ASEAN) | 3.778 | 4.666 | 6.421 | 73.957 | 145.284 | 323.454 | 431.937 | 652.723 | 811.740 |
| Economic Cooperation Organization (ECO) | 1.506 | 1.400 | 3.474 | 18.527 | 38.088 | 60.382 | 82.454 | 201.483 | 274.875 |
| Gulf Cooperation Council (GCC) | 699 | 2.173 | 5.202 | 155.060 | 87.800 | 105.664 | 175.674 | 396.918 | 477.421 |
| South Asian Association for Regional Cooperation (SAARC) | 2.292 | 2.504 | 3.416 | 13.799 | 27.728 | 46.615 | 64.276 | 132.941 | 204.511 |
| European Free Trade Association (EFTA) | 1.311 | 2.813 | 7.666 | 49.095 | 99.434 | 125.437 | 142.417 | 237.772 | 297.210 |
| European Union (EU) | 21.444 | 56.587 | 148.306 | 844.175 | 1.549.255 | 2.188.933 | 2.447.635 | 4.064.021 | 4.553.022 |
| Melanesian Spearhead Group (MSG) | 41 | 86 | 195 | 1.518 | 1.631 | 3.385 | 2.728 | 4.117 | 4.819 |
| African, Caribbean and Pacific Group of States (ACP) | 4.343 | 7.308 | 13.862 | 98.208 | 80.922 | 93.428 | 115.064 | 235.911 | 282.752 |
| Asia-Pacific Economic Cooperation (APEC) | 21.930 | 41.938 | 102.412 | 627.358 | 1.332.544 | 2.354.012 | 3.115.479 | 4.687.784 | 5.633.778 |
| Black Sea Economic Cooperation (BSEC) | 360 | 1.862 | 5.086 | 29.644 | 31.886 | 143.877 | 177.901 | 419.459 | 555.670 |
| Commonwealth of Independent States (CIS) | | | | | | 114.119 | 145.399 | 343.254 | 450.565 |
| Global System of Trade Preferences countries (GSTP) | 14.098 | 18.598 | 35.325 | 283.085 | 434.478 | 729.970 | 1.065.955 | 1.869.292 | 2.335.055 |

*For details of classification: <<http://unctadstat.unctad.org/unctadStat/Metadata/Classifications/UNCTADstatClassificationsEn.html>>.Source: UNCTAD (2010), <<http://unctadstat.unctad.org/TableViewer/tableView.aspx?ReportId=101>> (October 28, 2010).

Table 4. Merchandise Trade of Selected Preferential Trade Agreements, 1950-2009

Share in the world export (percent)

| Years | 1950 | 1960 | 1970 | 1980 | 1990 | 1995 | 2000 | 2005 | 2009 |
|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| World | 100,00 | 100,00 | 100,00 | 100,00 | 100,00 | 100,00 | 100,00 | 100,00 | 100,00 |
| Economic and Monetary Community of Central Africa (CEMAC) | 0,29 | 0,17 | 0,15 | 0,23 | 0,16 | 0,12 | 0,13 | 0,22 | 0,22 |
| Economic Community of the Great Lakes Countries (CEPGL) | 0,43 | 0,38 | 0,26 | 0,12 | 0,07 | 0,03 | 0,01 | 0,02 | 0,03 |
| Common Market for Eastern and Southern Africa (COMESA) | 2,31 | 1,82 | 2,03 | 1,68 | 0,81 | 0,46 | 0,46 | 0,61 | 0,71 |
| Economic Community of Central African States (ECCAS) | 0,85 | 0,65 | 0,54 | 0,44 | 0,34 | 0,22 | 0,27 | 0,47 | 0,57 |
| Economic Community of West African States (ECOWAS) | 1,35 | 1,05 | 0,91 | 1,64 | 0,62 | 0,43 | 0,47 | 0,68 | 0,59 |
| Mano River Union (MRU) | 0,22 | 0,29 | 0,27 | 0,21 | 0,14 | 0,10 | 0,07 | 0,08 | 0,08 |
| Southern African Development Community (SADC) | 3,18 | 2,85 | 2,10 | 1,83 | 1,12 | 0,89 | 0,82 | 0,98 | 1,09 |
| Arab Maghreb Union (UMA) | 1,05 | 0,68 | 1,31 | 2,00 | 1,04 | 0,63 | 0,75 | 0,94 | 0,87 |
| West African Economic and Monetary Union (WAEMU) | 0,47 | 0,26 | 0,25 | 0,24 | 0,15 | 0,13 | 0,10 | 0,12 | 0,13 |
| Andean Community (ANCOM) | 1,20 | 0,84 | 0,68 | 0,55 | 0,39 | 0,41 | 0,41 | 0,49 | 0,63 |
| Central American Common Market (CACM) | 0,46 | 0,34 | 0,35 | 0,24 | 0,13 | 0,18 | 0,24 | 0,21 | 0,20 |
| Caribbean Community (CARICOM) | 0,43 | 0,51 | 0,42 | 0,57 | 0,14 | 0,11 | 0,13 | 0,14 | 0,12 |
| Free Trade Area of the Americas (FTAA) | 30,68 | 26,09 | 23,84 | 19,35 | 18,89 | 19,36 | 22,00 | 17,48 | 16,54 |
| Latin American Integration Association (LAIA) | 9,66 | 5,98 | 4,36 | 4,34 | 3,77 | 4,01 | 5,14 | 5,03 | 5,14 |
| Mercado Común Sudamericano (MERCOSUR) | 4,57 | 1,93 | 1,52 | 1,45 | 1,33 | 1,36 | 1,31 | 1,56 | 1,75 |
| North American Free Trade Agreement (NAFTA) | 21,90 | 20,17 | 19,37 | 15,29 | 16,13 | 16,54 | 19,00 | 14,09 | 12,90 |
| Organization of Eastern Caribbean States (OECS) | 0,02 | 0,02 | 0,01 | 0,01 | 0,01 | 0,01 | 0,00 | 0,00 | 0,00 |
| Asia-Pacific Trade Agreement (APTA) | 3,75 | 3,58 | 1,92 | 2,26 | 4,27 | 6,03 | 7,38 | 11,06 | 14,09 |
| Association of South-East Asian Nations (ASEAN) | 6,11 | 3,59 | 2,03 | 3,63 | 4,17 | 6,25 | 6,70 | 6,21 | 6,54 |
| Economic Cooperation Organization (ECO) | 2,44 | 1,08 | 1,10 | 0,91 | 1,09 | 1,17 | 1,28 | 1,92 | 2,21 |
| Gulf Cooperation Council (GCC) | 1,13 | 1,67 | 1,64 | 7,62 | 2,52 | 2,04 | 2,72 | 3,78 | 3,84 |
| South Asian Association for Regional Cooperation (SAARC) | 3,71 | 1,93 | 1,08 | 0,68 | 0,80 | 0,90 | 1,00 | 1,27 | 1,65 |
| European Free Trade Association (EFTA) | 2,12 | 2,16 | 2,42 | 2,41 | 2,85 | 2,42 | 2,21 | 2,26 | 2,39 |
| European Union (EU) | 34,68 | 43,55 | 46,77 | 41,47 | 44,46 | 42,27 | 37,96 | 38,69 | 36,66 |
| Melanesian Spearhead Group (MSG) | 0,07 | 0,07 | 0,06 | 0,07 | 0,05 | 0,07 | 0,04 | 0,04 | 0,04 |
| African, Caribbean and Pacific Group of States (ACP) | 7,02 | 5,62 | 4,37 | 4,82 | 2,32 | 1,80 | 1,78 | 2,25 | 2,28 |
| Asia-Pacific Economic Cooperation (APEC) | 35,47 | 32,27 | 32,30 | 30,82 | 38,24 | 45,45 | 48,31 | 44,63 | 45,36 |
| Black Sea Economic Cooperation (BSEC) | 0,58 | 1,43 | 1,60 | 1,46 | 0,92 | 2,78 | 2,76 | 3,99 | 4,47 |
| Commonwealth of Independent States (CIS) | | | | | | 2,20 | 2,25 | 3,27 | 3,63 |
| Global System of Trade Preferences countries (GSTP) | 22,80 | 14,31 | 11,14 | 13,91 | 12,47 | 14,09 | 16,53 | 17,80 | 18,80 |

Source: Calculated from Table 3.