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**NO EVIDENCE OF POLARIZATION OF WORLD TRADE AMONG THREE "BLOCS"  
AND NO CLASH BETWEEN WORLD AND REGIONAL TRADE SYSTEMS  
- SAYS NEW WTO REPORT**

An analysis of the growth in trade between participating countries in regional agreements and their trade with other regions does not support the conclusion of an increasing regionalization of world trade, nor does it confirm the notion of the emergence of trading "blocs" centred in North America, Western Europe and the Asia-Pacific region. In fact, trade with partners in the same region and with partners in other regions have both become increasingly important in national economies throughout the postwar period.

The legal foundations for more open trade have been laid by the multilateral trading system - global in its coverage - with regional integration agreements serving to deepen relations with neighbouring countries. Thus, "the regional and multilateral integration initiatives are complements rather than alternatives in the pursuit of open trade".

These are among the main conclusions of a study, *Regionalism and the World Trading System*<sup>1</sup>, published today, by the World Trade Organization Secretariat, in Geneva. However, commenting on the WTO rules and procedures governing regional integration agreements, the study says, "...it may be that governments will consider that reforms are necessary in order to put the mutually supportive relationship between multilateralism and regionalism on a more solid foundation".

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<sup>1</sup>*Regionalism and the World Trading System* will be available shortly in English, French and Spanish. It can be obtained from the WTO Secretariat, Centre William Rappard, 154 rue de Lausanne, 1211 Geneva 21. Price SwF 40.-



The share of world merchandise trade which is intra-regional (ie. conducted within a geographic region) has risen from 40.6 per cent in 1958 to 50.4 per cent in 1993. This increase is mainly accounted for by the development of Western Europe, whose internal trade grew from 53 to 70 per cent of its overall trade during this period. While this is the only region to exhibit a clear policy-induced increase in the relative importance of intra-regional trade, the importance of Western Europe's trade with other regions in relation to its output has largely been maintained.

Between 1947 and the end of 1994, a total of 108 regional agreements were notified to the GATT. In looking at the complementarity between regional integration agreements and the multilateral trading system - first the GATT and now the WTO - the study makes a number of points:

- the scope for achieving tariff advantages at the regional level is much reduced since, once the Uruguay Round commitments are fully implemented, 43 per cent of developed countries' imports of industrial products from partners receiving MFN (Most-Favoured Nation) treatment will be duty-free, with an average of only 6.6 per cent on the remainder;
- with the importance of tariffs reduced, attention has shifted to the issue of non-tariff trade measures, which are seldom administered preferentially, and domestic policies (such as production subsidies), which cannot be administered preferentially;
- few regional agreements cover services, agriculture and the protection of intellectual property rights whereas the World Trade Organization has provided an integrated system of rights and obligations at the multilateral level in all these areas as well as merchandise trade in general;
- at the same time, it is recognized that steps taken in certain regional integration agreements helped lay the foundations for progress in the Uruguay Round.

The report concludes that the co-existence of regional integration agreements and the world trading system has been "at least satisfactory, if not broadly positive". However, the Secretariat finds some reasons for concern in the manner in which the GATT rules and procedures on customs unions and free-trade areas have operated. In particular, Article XXIV of GATT - now subsumed within the WTO rules - requires that such agreements cover "substantially all trade" between members and that the level of trade barriers facing those outside be "not on the whole higher or more restrictive". It is noted that among the 69 working parties called on to examine the conformity of customs unions and free-trade agreements with Article XXIV, only six have been able to reach a consensus.

The report examines various proposals that might arise in any attempt to improve the functioning of the rules and procedures on regional integration agreements; among these are:

- allowing the working parties to review regional agreements before signature and domestic approval begins, in other words while there is still scope for changing them;
- clarifying the criteria laid down in Article XXIV and perhaps introducing new provisions to increase the protection of third country interests; and
- improving transparency through an enhanced system of WTO surveillance of the performance and effects of regional integration agreements.

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