

UNIVERSITY OF  
LINCOLN

ISSN: 1758-1818

***Regional Trade Agreements – Pain or Gain?  
An evaluation and discussion about Pascal Lamy’s statement on the Geneva Conference in  
September 2007***

Dirk Sedtke,  
University of Lincoln,  
Lincoln, U.K

**Abstract:**

The paper discusses the role of the World Trade Organisation (WTO) in particular regarding Regional Trade Agreements (RTA) and Regional Integration Agreements (RIA); its development as well as the benefits and limitations of these agreements. The discussion is based on Pascal Lamy’s statement on the Geneva conference on 10 September 2007. Examples are given which outline on the one hand the successful developments which have taken place due to RIA’s and RTA’s, but also point on failures in setting up or benefiting from those. Future challenges for the WTO are outlined in this respect, too. In consequence, Pascal Lamy’s statement is evaluated and a need for unified action identified and recommended in order to address and overcome existing problems, but also upcoming future challenges for the WTO.

**Key words:**

WTO; GATT; RTA; RIA; EU; NAFTA; US; CAFTA-DR; MERCOSUR; EAC, ASEAN, ASEAN+6, APEC; Regionalism; Polarisation; Doha Round; Agriculture Subsidies.

To cite this paper: Sedtke, D. (2007). ‘Regional Trade Agreements – Pain or Gain? An evaluation and discussion about Pascal Lamy’s statement on the Geneva Conference in September 2007’. In *Occasional Working Paper Series*, Volume One, Issue One.

**Introduction:**

“... Many LDCs have not achieved significant poverty reduction and some have experienced negative growth despite extensive trade liberalization. This adds urgency to the need to examine trade and development linkages, particularly to achieve the Millennium Development Goals.”

Dr. Supachai Panitchpakdi (2007) Secretary-General of UNCTAD.

It was in June 2003 when Dr. Supachai Panitchpakdi, at this time General Director of the WTO (World Trade Organisation), commissioned a small group of eight experts to undertake an analysis of the WTO's workings in the past and additionally a plan where and how to take the organisation in future. The report was published on 17 January 2005 and outlined again the importance of achieving the freeing of trade among all of its members. It addressed issues strongly related to the scope and functioning of the WTO (Bhagwati, 2005). Moreover, Bhagwati (*ibid*) mentioned that the publishing date of the report could not have been more appropriate for two reasons - firstly 2005 marked the 10<sup>th</sup> anniversary of the WTO and secondly the Doha Talks were at a critical point to this time. Additionally the report should give guidance to Dr. Supachai Panitchpakdi's successor, who would take over in September 2005.

Shortly after the release of the report several writers took the WTO on and started again discussions about reshaping the organisation and also about the quality of possible successors, e.g. Barfield (2005) stated that a "powerful patron" is needed to handle world trade issues. He [Barfield] argued that reasons could be found in the growing emergence of globalisation with its upcoming consequences and challenges and in addition in the development of and eventually the fundamental changes within the WTO during the past decades. An enhanced and more powerful role for the General Director with an increased authority is urgently needed and that consequently possible candidates have to meet higher premises. Ernesto Zedillo (former president of Mexico) and Bill Clinton (former president of the US) would be suitable candidates for leading the WTO into its difficult future, whereas the positioned candidates would "*lack the political stature and international standing...*", including Pascal Lamy, "*...the brightest intellect among them*" (*ibid*: page unknown).

An experienced politician as director of the organisation would be a great opportunity to increase the quality of negotiation on a political level, could eliminate the 'democratic deficit' identified by Keohane and Nye (2001, cited in Barfield, 2005) and would be an voluminous help to deal more appropriate with the large number of different and powerful interest groups and non-governmental organisations, who put an enormous pressure onto the WTO. (Barfield, *ibid*) Regarding to the latter some critics went a step further and blamed the WTO for being dominated by these groups and to be secretive and undemocratic (Euractiv, 2002).

In September 2005 Pascal Lamy, the former European Commissioner of Trade, succeeded Dr. Supachai Panitchpakdi as the new General Director of the WTO. About two years later at the opening of the Conference on “Multilateralizing Regionalism” in Geneva he focussed again on the proliferation of Regional Trade Agreements (RTA’s) and highlighted positive aspects, e.g. the contribution to economic welfare and political stability, but also expressed concerns e.g. about unfair trade relations and the increasing costs of business, and eventually stated:

*“We need to look at the manner in which RTA`s operate, and what effects they have on trade opening and on the creation of new economic opportunities ... [and] we also need to reflect on whether regionalism is causing harm to multilaterally- based trading relationships.”*  
*Pascal Lamy, 10.09.2007*

To evaluate and discuss this statement within this article we need to have a look at the WTO itself first.

### **The World Trade Organisation (WTO):**

The first idea of a common authority which regulates world trade between countries was on the Bretton Wood Conference in 1944. Three years later UN member states agreed on an International Trade Organisation (ITO), but the charter was blocked by the US senate. The US feared that an ITO could regulate big business. A part of the ITO survived – the General Agreement on Tariffs and Trade (GATT), which is the predecessor of today’s World Trade Organisation (WTO, 2007d). The WTO was created by the Uruguay Round (1986-1994) and finally established in January 1995. It is based in Geneva, Switzerland, has 150 member states at present, covers up to 97% of the world’s trade, and regulates trade issues among its member states (*ibid*). The organisation focuses on different aspects regarding to trade issues, e.g. the prohibition of export/ import bans (Doole and Lowe, 2004). It managed to reduce the average tariffs from 40 % in 1948 to 4.7 % today (Herman, 2005) – an important step in achieving freer trade and fairer competition in world trade relations which is one of the core principles of the WTO, besides transparency for instance (Johnson and Turner, 2003). To deal with all matters adequately member states have e.g. the opportunity to bring their concerns to the Dispute Settlement Body of the WTO in order to discuss issues and finally come to a solution. Positive to mention is that every member is equal and has the same rights. A good example is Costa Rica and its CAFTA membership, in which it took the US successfully on (Davis 2006). On the contrary a solution is not always guaranteed and discussions stuck more often – e.g. the “Banana war” between the EU and US seems to be a never-ending story.

The WTO successfully implemented GATS (General Agreement on Trade and Services) which includes that services are seen as an important part in the liberalisation process on a regional and multilateral level, TRIPS (Trade- related Aspects of Intellectual Property Rights) which is one point on the Doha Development Agenda again concerning public health and pharmaceuticals (WTO, 2007c) and also TRIMS (Trade- related Investment Issues) which deals with piracy and imitation. In particular in the case of China a very important agreement, because of different piracy networks operating in there – harming multinational but also Chinese companies, e.g. the China Aokang Group, a huge shoe brand (Doole and Lowe, 2004). Recently the WTO (2007e) stated that the number of new anti-dumping measures declined by 20% but also that Chinese products account for the most new measures (22 out of 57) in the first half of 2007.

Another core principle of the WTO is the avoidance of discrimination among countries and the status of “most-favoured nations” (MFN) in trade (Herman, 2005), i.e. no country is allowed to grant a particular benefit to another one – in consequence every country has to be treated in the same way. The WTO stands also for economic development and reforms, e.g. in environmental issues. The significant growth in member states (23 contracting states in 1947) that finally brought stronger distinctions and different priorities with it as well made it more important for the WTO to focus more on least developed countries (LDC’s) and developing countries – the vast majority among its member states. For this reason, the organisation implemented special and differential treatments (SDT) and particular privileges, especially for LDC’s to give them time in catching up with trade issues and legislation processes (Johnson and Turner, 2003).

### **The Doha Round**

In November 2001 the WTO started the Doha Round (now Doha Development Agenda) to address especially developing countries and LDC’s. (Doole and Lowe, 2004) The aim was to put their interests on top and follow up issues that had not been covered by the Uruguay Round, e.g. LDC’s should gain more from better market access, so that they eventually get better (fully?) integrated into the world economy. Some more of the 21 agenda points contain for instance talks about anti-dumping, services and in particular agriculture subsidies in order “*to correct and prevent restrictions and distortions in agriculture markets*” (WTO, 2007c). E.g., in LDC’s are 75% of the people dependent on agriculture which accounts for 25% of the GDP. Moreover, developing countries can not afford to subsidize their farmers, whereas

developed countries spend about \$300 billion per year (Athukorala, 2004). On the contrary Bhagwati (2005) argues that the removal of subsidies would not help LDC's – in fact it would harm them more because the vast majority would be net food importers and as a consequence prices would rise. Also heavily discussed is the textile sector, which accounts for about 70% of the exports of developing countries. The average tariff for textiles is between 15-20% compared to 3% for industrialised goods (Doole and Lowe, 2004).

The goals of Doha are strongly linked to the UN's ambitious aim of halving the world poverty by 2015, also known as the "Millennium Goals". The original plan was to finish Doha in 2005, a quite challenging goal (Johnson and Turner, 2003; Herman, 2005), but in a couple of weeks it is 2008 and there are neither breakthrough solutions made nor in sight – what makes it finally difficult to support this aim. Several reasons for that are to find within the WTO itself.

### **Criticism about the WTO**

On the one hand the decision making process is quite old-fashioned and not longer applicable to deal with 150 members – each with a veto on any final deal (Davis, 2006) – and their different views in order to find useful and practicable solution. On the other hand there is too much controversy among the member states, predominantly the EU and US, e.g. their disputes with the G20 of developing countries about cutting farm subsidies and farming tariffs finally led to a collapse of the 2006 Geneva meeting. After that the WTO decided that no more talks should be attempted (Davis, 2006) in the near future, which in consequence constituted a further delay in completing the Doha Round – and the WTO gathered severe criticism, once again. Oxfam argued the US and EU could continue their dumping practises on agriculture and several other NGO's saw the collapse as good news for the poor countries in the world (Euractiv, 2006).

Additionally NGO's argue that business interest always override environmental interests (Johnson and Turner 2003). Greenpeace (2007) claimed the WTO for being a tool of the rich and powerful countries and accuses the organisation of supporting the exploitation of natural resources such as water, fisheries and minerals. Furthermore it stated that the WTO missed the point in the EC-Biotech case and is "*clearly unqualified to deal with complex scientific and environmental issues*" (Greenpeace 2006). NGO's also complained about the WTO's lack of transparency (Euractiv, 2002) for instance concerning the TPRM (Trade Policy Review

Mechanism) which aims for instance higher quality of debates and higher transparency of member states trade policies.

With TPRM member states' trade policies are examined to monitor significant developments, which could have an impact on the global trading system. Criticism arises about the different intervals of controls what might pilot to a disparity (EU and US every two years, LDC's every six years) (WTO, 2007g). For instance the OECS (Organisation of Eastern Caribbean States) was examined in 2001 and again in 2007. OECS and WTO diagnosed successful moves from agriculture to the service sector (in particular tourism) and in trade liberalisation (WTO, 2007h). In this case a positive result, but six years are quite a long time, especially for LDC's whose economic development and political stability cannot always be forecasted over such a long time.

Experts doubt also about the WTO's ability to deal with competition issues, because the organisation itself and roughly half of its member states do not have any competition rules, what is controversy to the WTO's objectives (Johnson and Turner, 2006). In addition criticism comes also from experts deeply involved in the organisation. Bhagwati (2005) mentioned for instance that a General Director would need "*a more substantial budget and access to a world-class-secretariat*" (*ibid*:29) and furthermore that it would be necessary to concentrate on constructive concerns about the WTO, e.g. functioning. More criticism about the WTO arises because of regionalism, i.e. the massive growth and proliferation of Regional Integration Agreements (RIA's) and Regional Trade Agreements (RTA's) since the 1990's.

### **The development of Regional Integration Agreements and Regional Trade Agreements**

Grimwade (2000) defined regionalism as international economic linkages among countries that are geographically proximate. It occurred several times before, e.g. in the 1930's ("first regionalism") with dramatic consequences, i.e. the fragmentation of the world economy and later in the 1960's ("second" or "old regionalism – the beginning of the European success story). For this reason, it can be seen as a global phenomenon (Johnson and Turner, 2003). Since the 1980's the phenomenon is called "new regionalism", i.e. the integration into the world economy.

There are several reasons why RIA's have been becoming more and more popular. A leading example of integration, economic growth and welfare is the EU. In the 1960's the EU was

founded to develop and achieve economic integration and growth, but also to stabilise Europe politically. The model worked absolutely well, approximately a decade later the EU was a powerful economy and eventually another decade later or so it was one of the powerhouses in the world economy and belonged to the Triad. Moreover, the EU is a leading negotiator in world affairs and its citizens within the SEM have the highest GDP per head in the world. This success automatically led other nations to “copy” this model and they started concentrating on building RIA’s as well. Another breakthrough was the changed view on multilateralism of the US – liberalisation through regionalism, NAFTA played therefore a significant role as well. Globalisation has its part in this process, too. National markets were replaced by global markets; multinational and private policy making structures are main drivers of the development of regional groupings (Johnson and Turner, 2003). Another reason why member states became upset about the WTO are because of its slow movements and the incapability to serve member states’ needs adequately and quickly. As a result, they drew their attention more towards RIA’s and RTA’s, whose cornerstone is “trade”.

A RIA is a bloc of countries within the same geographical region (e.g. EU), but a RTA extends the scope of a RIA and is able to link two different geographical regions with each other. RTA’s vary not only in their form, but also in their agreed limits. They can cover different trade issues e.g. concerning competition, investment, environment and labour. Every WTO member state has at least one RTA, except Mongolia (WTO, 2007d). The WTO (2007i) stated that there are about 205 RTA’s in force today, more than 380 notifications were made until July 2007 and the organisation believes that there are several other RTA’s in operation though they are not notified at present.

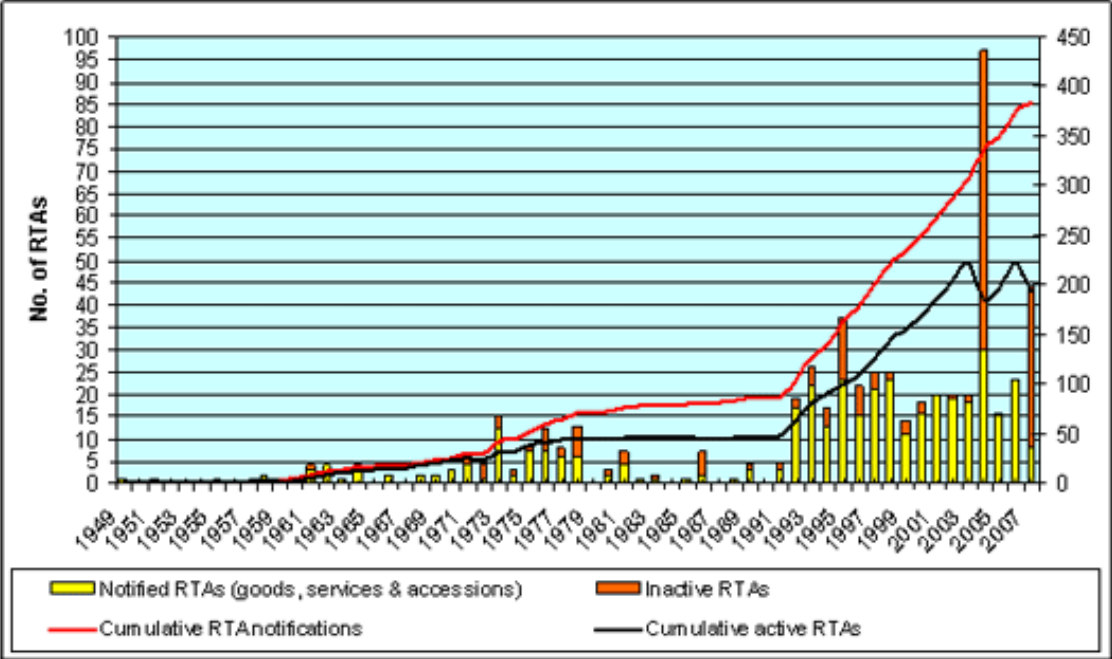
The WTO allows those practices of governments as an exception under Article XXIV of GATT when strict criteria are met. RTA’s should complement the multilateral trading system in ensuring freely trade flows between its participants through a reduction of barriers, e.g. duties – the bicycle theory of trade liberalisation. “*Non-members should not find trade with the group any more restrictive than before the group was set up*” (WTO, 2007d). Because of this RTA’s do not violate the WTO’s principle of equal treatment. In order to monitor the formation and development of RTA’s the WTO created the Regional Trade Agreements Committee in February 1996 (*ibid*). Critics have a different view about that. Bhagwati (2005) argued that the significant growth of RTA’s has swallowed up the trading system and that they do discriminate. Herman (2005) said that the exception has become the main feature in

today’s international trade relations. Fact is that a non-member state is not treated in the same way as a member state of a group. In consequence, it can be said that RTA’s do not go along with the WTO’s core principle of non-discrimination and that RTA’s would have the same character as MFN’s (*ibid*). The dramatic growth of RTA’s is shown in Figure 1.

**Evolution of Regional Trade Agreements in the world, 1948-2007**

[Back to top](#)

The following Chart shows all RTAs notified to the GATT/WTO (1948-2007), including inactive RTAs, by year of entry into force.



**Figure 1:** Evolution of RTA’s (Source: WTO, 2007k)

On top RIA’s and RTA’s play a significant role in all world trade issues nowadays, e.g. “in 2002, the four largest free trade areas (EU, NAFTA, ASEAN and MERCOSUR) accounted for 64.5 % of world exports and 69.5 % of world imports” (Lee, 2006; 360) and these numbers are expected to rise in future.

A particular reason for this development is that member states have had high expectations in the WTO, but are now upset about the organisation’s achievements, e.g. the Uruguay Round took seven and a half years to (mainly) agree on 15 agenda points. The Doha Development Agenda (now six years old) is far away from being a successful agreement, because to achieve an agreement on 21 agenda points seems to be very difficult (perhaps impossible?) due to so many disputes and disparities within the round.



One point on the Doha agenda is concerning RTA's as well. Member states agreed to negotiate a solution regarding to the question if RTA's are fostering trade relations (WTO, 2007c). And so Pascal Lamy (2007) addressed RTA's in his speech at the Conference in Geneva, e.g. in concentrating on the question how policymakers think about and react to the explosion of regionalism. Fact is that regionalism and RTA's were debated several times before, but where are the consolidated findings? Are Barfield and several other critics' right that a tough politician ("with the expertise of being a former Head of State" (Barfield, 2005)) is needed to lead the WTO into its future in order to cope with the difficult situation?

But a point for Lamy is certainly that he questioned the future in a way never done before. What can he [Lamy] and the WTO really do? In the first hand, all issues are based on agreements. It is not all about the WTO itself, member states hold the key to a successful organisation in their hands as well - they have to be willing to negotiate globally, but this is obviously not the case at present, e.g. Lee (2006) argued that RTA's distract member states from important negotiations and therefore erode the WTO principles and objectives. More reasons why countries focus more on forming RIA's and RTA's can definitely be found in the opportunities and benefits that those countries gain from regionalism.

### **Benefits of regionalism**

Firstly, as mentioned before the EU is a leading example in demonstrating benefits of regional integration. It managed to create a SEM, implemented successfully a common currency and achieved (to some extend) harmony within its market, i.e. the "four freedoms". To keep it a very simple view – concerning the latter it achieved among its members to a large extend what the WTO is going for globally!

Then it can be said that RIA's and RTA's speed up the process of trade liberalisation, encourages FDI between its participants, and eventually increases economic growth (Johnson and Turner, 2003).

In addition countries could benefit from trade creation, product differentiation and efficiency gains. NAFTA (Canada, US and Mexico) for instance is a successful example and shows that a RIA (and RTA's, too) has the ability to deal with more complex issues than the WTO does. It concentrates e.g. on services, takes also environmental issues into account and in addition a labour agreement (NAALC) was established (*ibid*) in order to provide high labour standards and high productivity workplaces. There is also a dispute settlement body available. The idea

behind NAFTA was to rise Mexican incomes, so that the US and Canada were able to increase their exports to Mexico. It worked well, there was a huge impact on Mexican business, e.g. manufacturers improved production and southern US companies have built strong links to Mexican enterprises (*ibid*).

Countries in Central America have the chance to maximize their economies of scale through regional integration, e.g. exports to the US are accounting now for approximately 80% of total exports (Schipke, 2005). Moreover, CAFTA-DR members hope to encourage necessary structural reforms and gain from more economic and political stability to participate more successfully in the global economy (Walecki, 2007). The US intentions were similar to NAFTA. Walecki (*ibid*) argued that US exports are likely to be stimulated and therefore support jobs in the US.

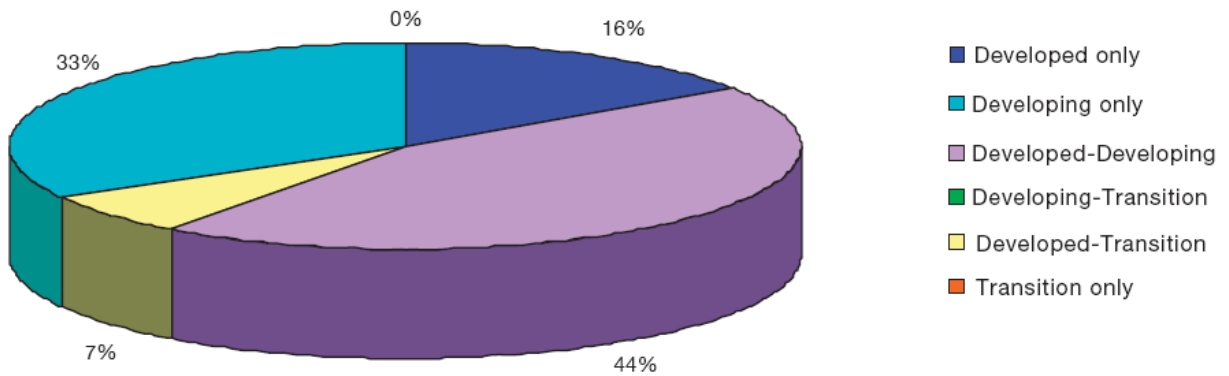
MERCOSUR accounts for 80 % of the South American GDP and covers about 300 million people. Chile is performing very strongly and is well integrated in the world economy; Columbia and Ecuador have also growing economies (Doole and Lowe, 2004). But there is also Argentina – the other side of the coin. Argentina's prices for goods rose by 48%, GDP was 20% lower in 2003 than it was in 1998 and the exchange rate decreased by 70% in this time period. Furthermore high levels of corruption and poverty have deterred foreign investors and i.e. a negative implication to attract FDI (*ibid*). Uruguay had some turbulence as well. Also problematic was that Brazil excluded for a long time cars and sugar from free trade within MERCOSUR – to their own advantage (Grugel and Hout, 1999). So, where else are problems with RIA's and RTA's?

### **Limitations and drawbacks of regionalism**

Firstly RIA's and RTA's have the power to cause polarisation of the world economy, especially in the most advanced and most attractive regions, i.e. developed countries and emerging (future giant?) economies such as China or India. RTA's are largely built between transition economies, followed by North-South and South-South agreements (WTO, 2007a).

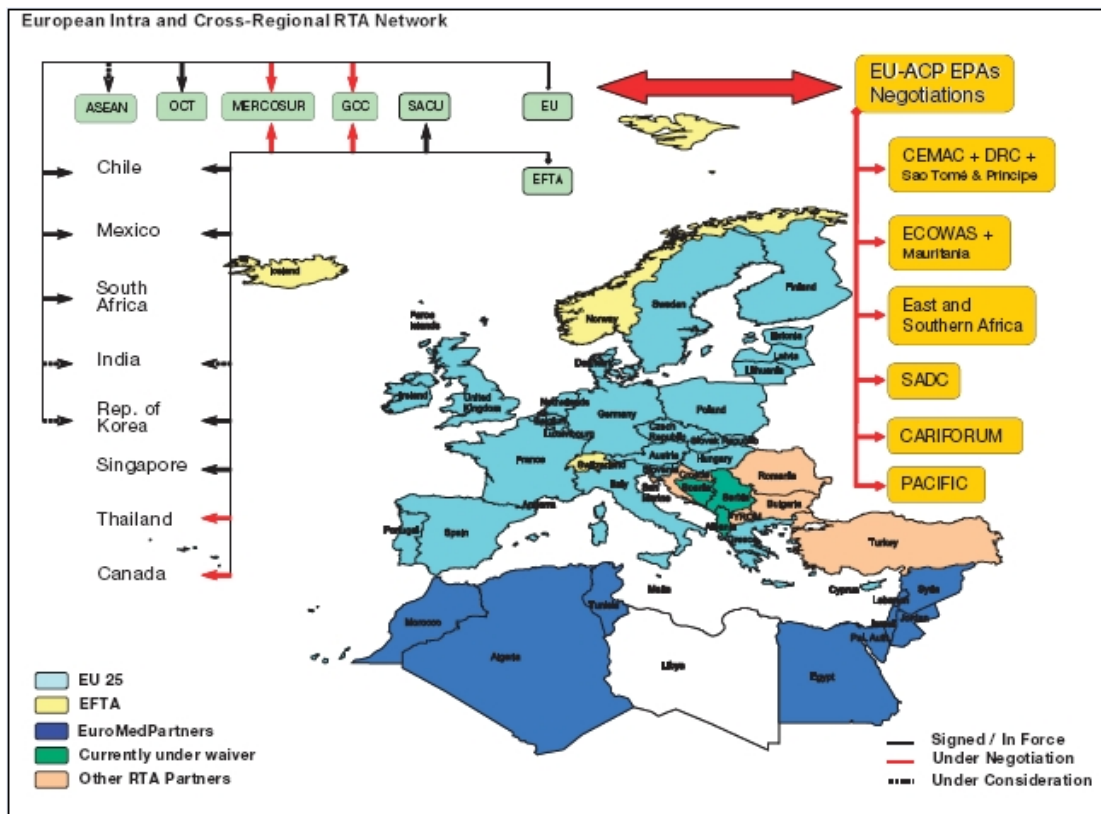
Most world trade is already done under regional or bilateral deals and there is a growth in shared privileged agreements between developing and developed countries, e.g. in the service sector (Figure 2).

**Notified RTAs in services by type of partner, as of December 2006**

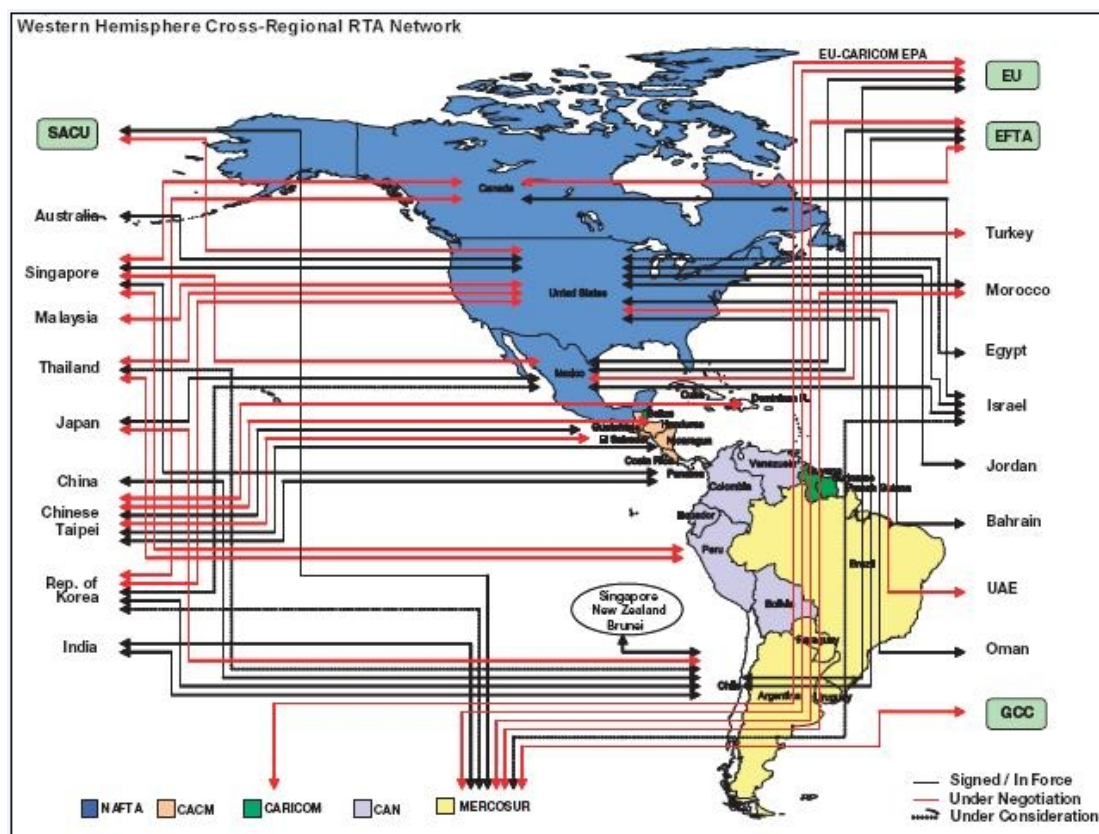


**Figure 2:** Notified RTA's in services by type and partner (Source: WTO, 2007a)

A further increase could automatically lead to a higher imbalance in world trade affairs and more trade diversion. Problematic is that LDC's are mostly left out of the deals. As a consequence, it would make life harder for smaller countries, which have less negotiating power (Davis, 2006). These bilateral and multilateral deals created an obscure network of agreements ("Spaghetti-Bowl effect"), because most countries have dual or multiple memberships in regional agreements. Moreover, RTA's are constantly set up and old ones are dissolved. (Figures 3 and 4 demonstrate the complexity of agreements)



**Figure 3:** European Intra and Cross-Regional RTA Network (Source: WTO, 2007a)



**Figure 4:** Western Hemisphere Cross-Regional RTA Network (Source: WTO, 2007a)

It is not only MERCOSUR, problems can be found in other agreements as well, e.g. CAFTA-DR. To avoid turbulences it is very important for its members to coordinate particular areas, e.g. taxes and the financial sector. Tax privileges or tax competition could have fatal consequences. (Schipke, 2005) Member states have to be aware of economic costs from more open markets, e.g. farming sectors could not be able to compete with powerful food suppliers. (Walecki, 2007; Athukorala, 2004) Additionally the high dependence on the US concerning exports – is it really a good point?

Another concrete example that success cannot be guaranteed is the East-African-Community (EAC). This FTA was started again in 1999 (the first attempt (1967-77) failed because of political disputes and an increasing trade imbalance) in order to achieve economic development and increase trade within their region. Tanzania, Kenya and Uganda agreed on a regional policy framework to promote economic and political co-operation. (Streatfeild, 2003) But Streatfeild (2003) identified major problems such as corruption, fuel shortages and high transportation costs - unfortunately civil strives are likely as well. Streatfeild (*ibid*) pointed

out that “*the EAC may experience a welfare loss, due to lost tariff revenue*” (*ibid*:9) and this is an important source of income.

### **Future challenges**

It is very unlikely that the development of regional integration will change in future. Instead it could even get more complicated for the WTO, because several more RIA's and RTA's are planned. ASEAN + China for instance could become a global player, because it gives ASEAN members access to China's market who will eventually gain from China's economic growth as well. It is expected to be established by 2010 und would cover about 1.7 billion people. A bigger challenge could be the future “ASEAN + 6” (i.e. ASEAN member s + China, Japan, India, South Korea, Australia and New Zealand) which is planned to be realized by 2020. This FTA would cover approximately half the world's population (Gordon, 2005); in consequence it would further strengthen the Asian region and give it more power in negotiations concerning world trade affairs.

APEC (Asia Pacific Economic Co-operation) was essentially used as a platform for negotiations to build an economic and trade co-operation among Asia-Pacific nations in seven categories, e.g. concerning investment, energy, technology etc. (Dutta, 1999) and was never seen as “*neither a FTA ... nor is APEC an integrated intraregional economic union*”. (*ibid*: 93). This view changed among some of the 23 member states; from the original vision of an Asian-Pacific economic community (*ibid*) to concrete thoughts about a combination with FTAA (Free Trade Area of the Americas), East Asian and Australian countries. As a result 70% of their trade would be intraregional and the US and Japan would be in one trading bloc. (Doole and Lowe, 2004)

Also the US and EU could make life harder for the WTO. The US plans to seek more agreements with ASEAN states and in particular with South Korea. The Asian-Pacific market is quite important for the US; it accounts for more than 25% of merchandising exports (Gordon, 2005). The EU is concerned about its energy problem and very engaged to find solutions – a very strong matter that has enough potential to look for agreements in `particular regions´ of the world.

All those events could have a huge impact on the WTO concerning its future performance and reliability – and in consideration of these facts on the whole organisation itself. Is there a need

for a WTO if RIA's and RTA's gain more economic growth and meet countries interests more appropriate? Fact is – if the WTO would have been faster, more effective and more successful, there had not been any point for building RTA's. They can therefore be seen as an insurance against multilateral failure – but are they really?

As a way out, Lee (2006) suggested for instance that the elimination of trade barriers within trade areas should go along in the same timetable with lowering barriers towards non-members. Herman (2005) mentioned the WTO has to be able to correct inadequacies of the implementation procedure and protect the SDT especially for LDC's. Positive to mention is that the WTO still has reputation... and is desirable. Yemen e.g. wants to become a member by 2009 and accelerated its efforts to meet WTO requirements for a membership. (WTO, 2007f).

### **Remarks and Conclusion**

It is absolutely necessary that the WTO is able to re-dictate itself to the organisation that sets rules, norms and standards as soon as possible. It should in the end be as effective as RIA's / RTA's (!) are. The author doubts if an experienced head of state as General Director would have the ability to change member states attitudes, especially their willingness to negotiate effectively within this forum.

Lamy questioned RTA's in a way never done before and that seems to be a very good starting point. Regarding to his statement: Yes, RIA's and RTA's have a positive effect on trade opening, e.g. EU and NAFTA. Furthermore countries have the chance to become more integrated into the world economy and eventually benefit from economic growth, e.g. Costa Rica and Chile. Yes, RIA's and RTA's cause harm to multilateral trade relations for instance through protectionism (e.g. Brazil, EU, NAFTA etc.), polarisation and discrimination (e.g. towards LDC's, non-members). They can also support economic crises (e.g. Argentina), political instability and welfare losses (EAC).

Dr. Panitchpakdi's statement [top on page 1] supports this view.

It can also be concluded that Article XXIV of GATT is misused and violates in this form core principles of the WTO. In consequence, fundamental changes within the WTO are urgently needed to face current situations and upcoming challenges. The most critical point seems to be Doha; the round has to be finished as soon as possible as Lamy (2007) mentioned on the

Conference in Geneva – equitable decisions included. But this contains that member states are willing to find solutions – they have the key to a successful organisation in their hands as well.

Certainly important is that the EU and US work close together and overcome their permanent disputes in order to support the WTO. China has to be included as well because of their differences with the US concerning copyright and piracy (Doole and Lowe, 2004). Additionally powerful and dominant countries should set particular privileges aside in order to work efficiently on and within the WTO. If everyone acts in concert concerning these points and the needs and wants (especially from poorer countries) are better addressed the organisation could become more trustworthy again... and more transparent, too. In consequence, it could be likely that massive criticism becomes more silent – NGO's might be included.

Finally, the WTO should ultimately use its experiences from the Uruguay Round as well. GATT faced similar criticism and had similar problems:

*“The draft Final Act comprises a mixture of agreed texts...except for the text on agriculture...” (Hopkinson, 1992:2)*

*“It would be an amazing failure of US, EC and Japanese leadership if the Round should be allowed to collapse.”(Hopkinson, 1992:37)*

If everything remains the same, challenges are not accepted and problems are not solved, it is very likely that all future agreements made remain as the second best solution only and as a consequence the best solution will be found in RIA's and RTA's – once again.

### **Bibliography:**

- Athukorala, P. (2004), “Agriculture Trade Reforms in the Doha Round – A Developing Country Perspective”, Journal of World Trade, October 2004, 38, 5, 877- 897
- Bora B. and Findlay C. (1996), “Regional Integration and the Asia-Pacific”, Chapters 10, 11, 13, 15, Oxford University Press Australia, South Melbourne

- Barfield, C. (2005), “*The cause of world trade demands a powerful patron*”, Financial Times, 15 February 2005, page unknown
- Bhagwati, J. (2005), “*Reshaping the WTO*”, Far Eastern Economic Review, Jan/Feb 2005, 168, 2, 25- 30
- Davis, E. (2006), “*The Death of the WTO Doha- Talks*”, Available on [www.bbc.com](http://www.bbc.com), Published on 25 July 2006, <http://news.bbc.co.uk/1/hi/business/5215318.stm>, Accessed 04 November 2007
- Desker, B. (2006), “*A Plan B for the WTO: How to rescue the Doha Round*”, Pac Net, Pacific Forum CSIS Hawaii, Number 33
- Doole, I. and Lowe, R. (2004), “*International Marketing Strategy – Analysis, development and implementation*”, 4<sup>th</sup> Edition, Chapter 2 and 8, Thomson, London
- Dutta, M. (1999), “*Economic regionalisation in the Asian-Pacific: Challenges to economic co-operation*”, Chapters 2, 3, 6, 8, 22- 25, Edward Elgar Publishing Ltd., Cheltenham
- Euractiv (2002), “*The world trading system – In dire need of reform*”, Available on [www.euractiv.com](http://www.euractiv.com), Publishing date unknown, <http://www.euractiv.com/en/trade/world-trading-system-dire-need-reform/article-110061>, Accessed 04 November 2007
- Euractiv (2006), “*The WTO Doha Development Round*”, Available on [www.euractiv.com](http://www.euractiv.com), Published on 01 August 2006, Updated on 04 June 2007, <http://www.euractiv.com/en/trade/wto-doha-development-round/article-157082>, Accessed 16 November 2007
- Gordon, Bernard K. (2005), “*Asia’s Trade Blocs Imperil the WTO*”, Far Eastern Economic Review, November 2005, 168, 10, 5- 10
- Greenpeace (2007), “*Encourage sustainable trade*”, Available on [www.greenpeace.org](http://www.greenpeace.org), Publishing date unknown, <http://www.greenpeace.org/international/campaigns/trade-and-the-environment>, Accessed 16 November 2007
- Greenpeace (2006), “*WTO undermines right to act with precaution*”, Available on [www.greenpeace.org](http://www.greenpeace.org), Published on 29 June 2006, <http://www.greenpeace.org/international/press/releases/wto-undermines-right-to-act-wi>, Accessed 16 November 2007
- Grimwade, N. (2000), “*International Trade*”, 2<sup>nd</sup> Edition, Chapter 8 and 9, London, Routledge



- Grugel, J. and Hout, W. (1999), “*Regionalism across the North-South divide: State strategies and globalisation*”, Chapters 1, 4 and 5, Routledge, London
- Herman, Lawrence L. (2005), “*Global Trade: Is Regionalism killing the World Trade Organisation*”, Ivey Business Journal Online, March/ April 2005, 1- 6
- Hettne, B. [et al] (2000), “*The new regionalism and the future of security and development*”, Chapters 3- 6, Macmillan Press Ltd., London
- Hopkinson, N. (1992), “*Completing the GATT Uruguay Round: Renewed multilateralism or a world of regional trading blocs?*”, Chapters 1, 2, 4 and 9, Wilton Park, HSMO, London
- Johnson, D. and Turner, C. (2006), “*European Business*”, 2<sup>nd</sup> Edition, Chapter 5, Oxon, Routledge
- Johnson and Turner (2003), “*International Business – Themes and issues in the modern global economy*”, Chapter 2, 3, 7, 11, 13 and 14, Oxon, Routledge
- Lamy, P. (2007), “*Proliferation of Regional Trade Agreements ‘breeding concern’*”, Available on [www.wto.org](http://www.wto.org), Published on 10 September 2007, [http://www.wto.org/english/news\\_e/sppl\\_e/sppl67\\_e.htm](http://www.wto.org/english/news_e/sppl_e/sppl67_e.htm), Accessed 31 October 2007
- Lee, Y.S. (2006), “*Bilateralism under the World Trade Organisation*”, Northwestern Journal of International Law and Business, Winter 2006, 26, 2, 357-371
- Tayeb, M. (2000), “*International Business*”, Chapter 3, Harlow, Edinburgh Gate
- Panitchpakdi, S. (2007), “*Developing countries in international trade 2007: Trade and development index*”, Available on [www.unctad.org](http://www.unctad.org), Published on 01 October 2007, <http://www.unctad.org/Templates/webflyer.asp?docid=9201&intItemID=2068&lang=1>, Accessed 10 November 2007
- Schipke, A. (2005), “*Building on CAFTA*”, Available on [www.imf.org](http://www.imf.org), Published in December 2005, <http://www.imf.org/external/pubs/ft/fandd/2005/12/schipke.htm>, Accessed 12 November 2007
- Streatfeild, J.E.J. (2003), “*An examination of Regional Trade Agreements: A Case study of the EC and East African Community*”, TRALAC Working Paper 11/2003, November 2003, Trade Law Centre for Southern Africa, Stellenbosch

- Walecki, J.M. (2007), “*Changing business environments, international trade and regional integration: Who needs CAFTA?*”, Economic Affairs, June 2007, 73 -77
- WTO (2007a), “*Discussion Paper 12: The Changing Landscape of Regional Trade Agreements 2006 Update*”, Available on [www.wto.org](http://www.wto.org), Publishing date unknown,  
[http://www.wto.org/english/res\\_e/booksp\\_e/discussion\\_papers12a\\_e.pdf](http://www.wto.org/english/res_e/booksp_e/discussion_papers12a_e.pdf),  
Accessed 10 November 2007
- WTO (2007b), “*Professor Bhagwati lecture: The consensus for free trade among economists – Has it frayed?*”, Available on [www.wto.org](http://www.wto.org), Published on 08 October 2007,  
[http://www.wto.org/english/news\\_e/news07\\_e/bhagwati\\_oct07\\_e.htm#fnt6](http://www.wto.org/english/news_e/news07_e/bhagwati_oct07_e.htm#fnt6),  
Accessed 10 November 2007
- WTO (2007c), “*The Doha Declaration explained: WTO rules – Regional Trade Agreements*”, Available on [www.wto.org](http://www.wto.org), Publishing date unknown,  
[http://www.wto.org/english/tratop\\_e/dda\\_e/dohaexplained\\_e.htm#regional](http://www.wto.org/english/tratop_e/dda_e/dohaexplained_e.htm#regional),  
Accessed 10 November 2007
- WTO (2007d), “*Understanding the WTO*”, Available on [www.wto.org](http://www.wto.org), Published in February 2007,  
[http://www.wto.org/english/thewto\\_e/whatis\\_e/tif\\_e/utw\\_chap1\\_e.pdf](http://www.wto.org/english/thewto_e/whatis_e/tif_e/utw_chap1_e.pdf), Accessed 09 November 2007
- WTO (2007e), “*WTO secretariat reports renewed declines in new anti-dumping investigations and new final anti-dumping measures*”, Available on [www.wto.org](http://www.wto.org), Published on 30 October 2007,  
[http://www.wto.org/english/news\\_e/pres07\\_e/pr497\\_e.htm](http://www.wto.org/english/news_e/pres07_e/pr497_e.htm), Accessed 10 November 2007
- WTO (2007f), “*Yemen sets target to accelerate membership negotiations*”, Available on [www.wto.org](http://www.wto.org), Published on 02 November 2007,  
[http://www.wto.org/english/news\\_e/news07\\_e/acc\\_yemen\\_nov07\\_e.htm](http://www.wto.org/english/news_e/news07_e/acc_yemen_nov07_e.htm),  
Accessed 10 November 2007
- WTO (2007g), “*Overseeing national trade policies: The TPRM*”, Available on [www.wto.org](http://www.wto.org), Publishing date unknown,  
[http://www.wto.org/english/tratop\\_e/tp\\_r\\_e/tp\\_int\\_e.htm](http://www.wto.org/english/tratop_e/tp_r_e/tp_int_e.htm), Accessed 11 November 2007

- WTO (2007h), “*Organisation of Eastern Caribbean States (OECS): Continued reform would expand the benefits of closer integration in the world economy*”, Available on [www.wto.org](http://www.wto.org), Published on 05 November 2007, Updated on 07 November 2007, [http://www.wto.org/english/tratop\\_e/tp290\\_e.htm](http://www.wto.org/english/tratop_e/tp290_e.htm), Accessed 12 November 2007
- WTO (2007i), “*Regional Trade Agreements*”, Available on [www.wto.org](http://www.wto.org), Publishing date unknown, [http://www.wto.org/english/tratop\\_e/region\\_e/region\\_e.htm](http://www.wto.org/english/tratop_e/region_e/region_e.htm), Accessed 11 November 2007

### **References:**

- Barfield, C. (2005), “*The cause of world trade demands a powerful patron*”, Financial Times, 15 February 2005, page unknown
- Dutta, M. (1999), “*Economic regionalisation in the Asia-Pacific: Challenges to economic co-operation*”, page 93
- Greenpeace (2006), “*WTO undermines right to act with precaution*”, Available on [www.greenpeace.org](http://www.greenpeace.org), Published on 29 June 2006, <http://www.greenpeace.org/international/press/releases/wto-undermines-right-to-act-wi>, Accessed 16 November 2007
- Hopkinson, N. (1992), “*Completing the GATT Uruguay Round: Renewed multilateralism or a world of regional trading blocs?*”, page 2
- Hopkinson, N. (1992), “*Completing the GATT Uruguay Round: Renewed multilateralism or a world of regional trading blocs?*”, page 37
- Lamy, P. (2007), “*Proliferation of Regional Trade Agreements ‘breeding concern’*”, Available on [www.wto.org](http://www.wto.org), Published on 10 September 2007, [http://www.wto.org/english/news\\_e/sppl\\_e/sppl67\\_e.htm](http://www.wto.org/english/news_e/sppl_e/sppl67_e.htm), Accessed 31 October 2007
- Lee, Y.S. (2006), “*Bilateralism under the World Trade Organisation*”, Northwestern Journal of International Law and Business, Winter 2006, 26, 2, page 360
- Panitchpakdi, S. (2007), “*Developing countries in international trade 2007: Trade and development index*”, Available on [www.unctad.org](http://www.unctad.org), Published on 01 October 2007, <http://www.unctad.org/Templates/webflyer.asp?docid=9201&intItemID=2068&lang=1>, Accessed 10 November 2007

- Streatfeild, J.E.J. (2003), “*An examination of Regional Trade Agreements: A Case study of the EC and East African Community*”, TRALAC Working Paper 11/2003, November 2003, page 9
- WTO (2007c), “*The Doha Declaration explained: WTO rules – Regional Trade Agreements*”, Available on [www.wto.org](http://www.wto.org), Publishing date unknown, [http://www.wto.org/english/tratop\\_e/dda\\_e/dohaexplained\\_e.htm#regional](http://www.wto.org/english/tratop_e/dda_e/dohaexplained_e.htm#regional), Accessed 10 November 2007
- WTO (2007d), “*Understanding the WTO*”, Available on [www.wto.org](http://www.wto.org), Published in February 2007, [http://www.wto.org/english/thewto\\_e/whatis\\_e/tif\\_e/utw\\_chap1\\_e.pdf](http://www.wto.org/english/thewto_e/whatis_e/tif_e/utw_chap1_e.pdf), Accessed 09 November 2007

### **Videos:**

- WTO (2007l), “*Regional Trade Agreements*”, WTO Discussion Forum, Available on [www.wto.org](http://www.wto.org), Publishing date unknown, [http://www.wto.org/english/forums\\_e/debates\\_e/debate3\\_e.htm](http://www.wto.org/english/forums_e/debates_e/debate3_e.htm), Accessed 09 November 2007
- WTO (2007m), “*Policy space*”, WTO Discussion Forum, Available on [www.wto.org](http://www.wto.org), Publishing date unknown, [http://www.wto.org/english/forums\\_e/debates\\_e/debate5\\_e.htm](http://www.wto.org/english/forums_e/debates_e/debate5_e.htm), Accessed 10 November 2007

### **Figures:**

Figure 1: WTO (2007k), “*Regional Trade Agreements - Facts and Figures*”, available on [www.wto.org](http://www.wto.org), Publishing date unknown, [http://www.wto.org/english/tratop\\_e/region\\_e/regfac\\_e.htm](http://www.wto.org/english/tratop_e/region_e/regfac_e.htm), Accessed 04 November 2007

Figure 2: WTO (2007a), “*Discussion Paper 12: The Changing Landscape of Regional Trade Agreements 2006 Update*”, Available on [www.wto.org](http://www.wto.org), Publishing date unknown, [http://www.wto.org/english/res\\_e/booksp\\_e/discussion\\_papers12a\\_e.pdf](http://www.wto.org/english/res_e/booksp_e/discussion_papers12a_e.pdf), Accessed 10 November 2007

Figure 3: WTO (2007a), “*Discussion Paper 12: The Changing Landscape of Regional Trade Agreements 2006 Update*”, Available on [www.wto.org](http://www.wto.org), Publishing date unknown, MAP 1,

[http://www.wto.org/english/res\\_e/booksp\\_e/discussion\\_papers12a\\_e.pdf](http://www.wto.org/english/res_e/booksp_e/discussion_papers12a_e.pdf), Accessed 10 November 2007

Figure 4:

WTO (2007a), "*Discussion Paper 12: The Changing Landscape of Regional Trade Agreements 2006 Update*", Available on [www.wto.org](http://www.wto.org), Publishing date unknown, MAP 3, [http://www.wto.org/english/res\\_e/booksp\\_e/discussion\\_papers12a\\_e.pdf](http://www.wto.org/english/res_e/booksp_e/discussion_papers12a_e.pdf), Accessed 10 November 2007