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Comment Ernesto Zedillo

At a time when yet another major PTA—the Trans-Pacific Partnership—is being formally negotiated, and there is also talk of an equally ambitious trans-Atlantic EU-US trade deal, Krishna’s review of the consequences of the amazing proliferation of PTAs since the early 1990s is particularly pertinent and illuminating. In what could be disturbing to some proponents of unbiased academic purity, this author discloses at the outset his multilateralist inclination. I think this stance should be well taken, if one believes that a trading system free of barriers toward trade in merchandise and services and universal enforcement of the principles of reciprocity and nondiscrimination would be, in the long run, for reasons of both prosperity

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and international peace, the ideal to attain. With this defensible premise in mind, two basic questions emerge naturally. One, have PTAs complemented or undermined the achievement of that system? Two, are existing WTO rules and procedures up to the task of preventing PTAs, as they have evolved, from undermining the desirable trading system?

Krishna does not tackle explicitly the question of how empowered the WTO is to manage the proliferation of PTAs in order to avoid the fragmentation of the trading system—although it is not hard to infer from the evidence he uses to discuss other issues that his answer would not be very encouraging. Fortunately he does an excellent job of responding to the first question. His survey of recent research and evidence shows, at the very least, that the case of those believing that PTAs have helped the construction of a truly open trading system is a rather weak one. Those PTA believers should take notice that in many agreements the amount of liberalization provided by preferential agreements is truly modest, and that despite the manifest tariff preferences instilled in many of those deals, trade among their partners has continued to be a miniscule portion of global trade. Their enthusiasm for PTAs should also be deflated by the fact that particular PTAs have brought about significant trade diversion and that adverse effects on the terms of trade of nonmember countries have also been documented. It is also suggestive that PTAs, far from alleviating, have worsened the discriminatory features of the present system, as demonstrated by the fact that antidumping actions against nonmembers have increased, while their use against partner countries within PTAs has diminished. Lastly, and most revealing, is that despite the considerable political muscle and negotiating capacity applied to their construction, most PTAs have not increased perceptibly their respective members' intratrade volumes.

In light of the evidence that most PTAs ultimately do not foster trade sensibly while they do introduce perceptible discrimination, their supporters are in need of providing another argument for regionalism, which they claim to find in the use of PTAs as instruments to achieve institutional harmonization conducive to deeper integration among partner countries. Krishna not only questions the effectiveness of the majority of PTAs to deploy such harmonization, but more fundamentally, whether attempting such harmonization and deeper integration should be welcome at all in the context of the various arrangements that make up the trading system when there is still much ground to cover to achieve plain merchandise and services liberalization. The purported objective of getting deeper integration through the door of regional harmonization is particularly troublesome for agreements involving both developed and developing countries, given their rather asymmetrical institutional capabilities as well as their respective differing preferences and development priorities. Truly meaningful evidence of why seeking deeper integration through PTAs is problematic was provided, somewhat ironically, by the fact that the only concrete and executed result of the Doha

talks has been the decision to drop from the negotiating agenda the goals of pursuing multilateral agreements on competition, investment, and government procurement. Furthermore, it is not hard to envision that even PTAs among developed countries such as the one suggested between the EU and the United States would run into serious trouble if such an agreement were to seek deep harmonization of regulation and standards between these partners in those and other nontrade areas. Krishna's observation, that we should not expect liberalization that is difficult to achieve multilaterally to prove more easily attainable bilaterally, is warranted by the evidence he adequately reports. With sufficient academic tact, this author, nevertheless, succeeds in conveying the message that most likely there is no safe way around the multilateral route to deliver genuine true global liberalization and integration.

Comment Anthony Venables

In these comments I would like to take up some of the empirical points referred to by the author and also point to some particular successes of PTAs. The context is that the "grand vision" of a multilateral trading system will always be somewhat illusory. The PTAs are here to stay, so setting the debate up as a choice between PTAs and a multilateral world is a false one. Instead, we should assess the successes and failures of PTAs and then draw conclusions on what countries can learn from them, and how they can best be accommodated in the world trading system as a whole.

In recapping the three major points argued by the author, I would like to reformulate them in the following manner. Firstly, the chapter argues that despite the burgeoning number of PTAs, only a relatively small share of trade within them is actually preferential. The extent of tariff liberalization brought about by PTAs is thus limited. On this point, I fully agree. Secondly, the chapter cites evidence for widespread trade diversion brought about by PTAs. Here I am a little bit more skeptical; it is very hard to balance the evidence between trade diversion and creation as the empirical record is mixed at best. Finally, the chapter also lamented the fact that PTAs rarely venture beyond trade liberalization into deeper forms of integration. On a simple count of what PTAs have done this is true, but it attaches too little weight to the remarkable successes of PTAs that have achieved deeper integration. Some of the aggregate numbers are not particularly helpful guides here because PTAs are so heterogeneous both in terms of participating countries

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