

# Trade Liberalization in the Americas: Are Regionalism and Globalization Compatible?

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## *Summary*

*Trade liberalization across the Americas holds the potential to substantially improve living standards and present a successful model of North-South regionalism. In this paper, we use a global computable general equilibrium (CGE) model to assess the effects of such an arrangement for both member and non-member economies. We also evaluate a number of other issues, including incentive compatibility of the regional agreement for individual members and its structural compatibility with the larger agenda of global trade liberalization. Our results support the notion that regionalism in the Americas is beneficial to member economies, but we note important ways in which it may diverge from the path to global free trade. Generally speaking, our results reveal the complexity of adjustments and indirect effects arising from large trade initiatives of this kind. This serves to remind policy makers of the advantage of detailed empirical analysis over simplified theory, general rules of thumb, or intuition alone.*

## *I. INTRODUCTION*

Two decades of regional initiatives have changed the landscape of trade relations in the Americas. During this period, the region has evolved from an eclectic mosaic of inward, outward, and post-colonial policy regimes toward a more harmonious blend of negotiated strategies, giving rise to free trade agreements that set new standards for North-South and South-South regionalism. With the realization of the North American Free Trade Agreement (NAFTA) and the Southern Common Market (MERCOSUR), economies of the Americas are seeing new patterns of specialization emerge from more open multilateralism, and this experience is inspiring ambitious plans to extend free trade across two continents.

In this paper, we use a global CGE model to evaluate several aspects of more liberal trade across the Americas. In the first instance, we assess the consequences for individual country trade and real GDP growth when intra-regional import tariffs are abolished in a Free Trade Area of the Americas (FTAA). As expected, our results indicate significant long-term aggregate gains for member countries, but more dramatic (in percentage terms)

structural adjustments ensuing at the sectoral level. We also note trade diversion away from extra-regional partners equal to about half the total growth in intra-regional trade.

Taking the regional perspective as our starting point, we then compare it with a reference case for globalization. Considered as worldwide tariff abolition, we find that global trade liberalization (GTL) would increase overall trade more than ten times as much as the FTAA, and trade growth for the regional economies would be about five times greater. In terms of aggregate real GDP, the regional economies would experience about double the benefit of FTAA under GTL. From this we infer that the main impetus toward regionalism is its relative certainty and expedience by comparison to WTO-based GTL. In other words, the risk-adjusted present value of the FTAA is higher for regional members. To the extent that FTAA and GTL are not mutually exclusive, one might also advocate "intermediate regionalism" for the precedence, institution building and standard setting it confers on member countries.<sup>1</sup>

Whether or not globalization is in fact compatible with regionalism is another matter, however, and we also examine this issue in the present paper. More precisely, comparing aggregate national gains from GTL, regional trade liberalization (RTL), and unilateral trade liberalization (UTL) reveals nothing about the detailed structural adjustments ensuing from these policy regimes. These adjustments are of paramount interest to policy makers, however, since they will exert a strong influence on political evolution, and it is precisely such detailed structural effects, that CGE models are designed to elucidate. For this reason, we compare the three types of trade regime in terms of a concept we call structural congruence (defined precisely below), reflecting the similarity in patterns of real output adjustment ensuing from different policies.

Our empirical results indicate that, for the majority of member countries, FTAA type regionalism differs sharply from GTL and UTL in terms of both trade and sectoral output adjustment, and in many cases we see significant reversals. This implies two important things for policy makers. (1) There is no first-mover advantage for countries in the regional context, meaning they will likely face additional adjustment costs if they liberalize "ahead" of the regional agenda. (2) There are important ways in which an FTAA agenda is structurally inconsistent with broader globalization. This portends nontrivial adjustment costs and political economy considerations that can be expected impede progress from RTL to GTL.

The path to regionalism in the Americas has been laid out, largely paved with agreements in fact or in principle and, in many places, is already well trodden. Whether or not it points towards or diverges from the path to globalization, it is already conferring gains on its members and can be expected to do more of this with regional extension and deepening. It is clear from our results, however, that more attention to the structural details of liberalization, adjustment, and growth will be needed to realize the full potential of regional trade and to facilitate an eventual transition to more liberal global trade. Empirical simulation models of the kind presented here can support this evolving policy in essential ways, identifying both the opportunities and challenges that lie ahead for more open multilateralism.

The following section presents the main conclusions from the simulation results. More detailed analysis can be found in Roland-Holst and van der Mensbrugghe [2002], and a complete description of the underlying model and data can be found in van der Mensbrugghe [2003].

## *II. RESULTS*

Using a multi-country, dynamic CGE model, calibrated to the global trade analysis project (GTAP) database, we conducted a series of policy experiments reflecting more liberal

trade regimes at the global, regional, bilateral, and national levels. In particular, in the first pair of experiments we compare detailed differences between tariff removal within the Americas and global tariff abolition. The results obtained indicate both the potential rewards of further liberalization and the very complex incentives facing participants in regional and global negotiations. Two general results are worthy of emphasis:

- Global trade liberalization (GTL) confers greater aggregate gains, not only on the world, but also on each country and sub-region in the Americas.
- Regional trade liberalization (RTL) or free trade across the Americas (FTAA) would, in the absence of other negotiating initiatives, benefit member countries in the region but induce significant trade diversion away from the rest of the world.

While these conclusions (particularly on a bilateral basis) have interesting implications for trade negotiations, FTAA and globalization are not considered to be mutually exclusive, and many hope the former will simply provide impetus to be superseded by the latter. Trade divergence and discrimination (*de jure* or *de facto*) induce real economic adjustments, however, and they can complicate the larger negotiating environment in nontrivial ways. If the credibility of global free trade is limited, however, there appear to be substantial incentives to expedite regionalism.<sup>2</sup> Unfortunately, as we shall see later, this may itself undermine global initiative.

At the national level, we also examine unilateral liberalization for a number of larger economies in Latin America. These results are then compared to a case where bilateral partners reciprocate, conferring free market access on the country removing all its tariff barriers.<sup>3</sup> Not surprisingly, these two alternatives differ in important respects, depending upon prior protection patterns and domestic resource constraints. Although there are important general characteristics of the individual country scenarios, our results suggest that the choice between unilateral and negotiated tariff removal should be made on a case-by-case basis. Indeed, unilateral removal would rarely be optimal, but negotiated liberalization should be informed by more detailed analysis of partner- and sector-specific trade issues.

## ADJUSTMENTS IN TRADE PATTERNS

Turning to the detailed results, Table 1 presents bilateral trade flow adjustments in response to global tariff removal, expressed in both constant (1997 billions of) dollars and as percentage changes with respect to the baseline levels forecast for 2015. By the terminal year of these projections, tariff abolition is estimated to increase global trade by \$1.8 trillion 1997 dollars or 16.5%. At the same time, multilateral liberalization will create a highly variegated landscape of bilateral trade adjustments, ranging from an expansion of 274.4% (Brazil's exports to China) to contraction of -67.1% (Venezuela's exports to East Asia). While global trade is expanding by 16.5% in real terms, most non-OECD (Organization for Economic Cooperation and Development) countries experience total export growth well in excess of this figure. Latin American countries in particular see trade rising sharply, with Argentine and Brazilian exports rising 58% and imports going up by 60% and 50%, respectively.<sup>4</sup> Chile, Colombia, Venezuela, and the Rest of Latin American Countries (LAC) are all above the global average, with only Mexico below average because of its low rates of prior protection.

While the general impression is one of trade growth, with 216 (84%) of the 256 bilateral flows expanding, some bilateral ties will remain fairly constant or even contract. Net changes in bilateral trade are the result of shifting relative real exchange rates, which in turn result from differences in prior protection levels (Annex Table A.1). Thus it is worth

noting that, even in the case of multilateral tariff abolition, trade diversion still results because of asymmetries in prior protection patterns. Fortunately, the diversionary effects are relatively small in this global free trade scenario, and they are far outweighed by trade creation at each national level and, therefore, in the aggregate.

Now we compare the globalization results with those in Table 2, showing the same kind of adjustments in response tariff abolition across the Americas and Caribbean, labeled Free Trade in the Americas. The most arresting feature of these results is of course the scope and magnitude of trade diversion. Because we have ordered the regions with the Americas concentrated in the right columns, there is a distinct block diagonal character to the qualitative results. As one would expect with a regional agreement, trade expands within the region, but at a significant expense of trade with respect to and within the rest of the world. There is nearly uniform expansion of bilateral trade ties across the Americas, and many individual bilateral flows expand more than under globalization. Despite this, however, no country experiences more total export or import growth than it would under global free trade.

For this reason, it is reasonable to ask why an FTAA would be preferable to the first scenario. The most obvious answer has to do with uncertainty and risk aversion, two of the main features of the multilateral negotiating environment that sustain regionalism in an era of globalization. In particular, many countries view a smaller, more certain (and perhaps more expedient) payoff from regional liberalization as preferable to a more hypothetical prospect for global free trade. The relative transparency and tractability of regional accords alone might make them preferable to global ones, but of course they need not even be perceived as mutually exclusive.<sup>5</sup> In fact, some advocates of regionalism, particularly of the North-South variety, argue that they offer important precedence for more comprehensive global negotiations, both in terms of negotiating standards and domestic adjustments arising from conformity. Whether and to what extent the FTAA can be seen as a precursor to global free trade will be discussed in more detail below.

Apart from the many issues related to uncertainty, impetus for a regional agreement comes from two very practical considerations. First, except for the United States (and including Canada), the FTAA confers on all its members more than 50% of the total import and export growth they would experience under global free trade. Thus a regional agreement, in many ways easier and more certain to negotiate, gives its members over half the total trade gain that globalization might offer. An essential caveat, however, is that the composition of this trade can be very different, and much of it is bought at the expense of relations with partners outside the region. Thus we can see that regionalism is substantially beneficial, but not how it constitutes a path to globalization or, ultimately, can be reconciled with it.

Patterns of adjustment outside the region are complex, with both trade creation and diversion. The removal of an extensive set of tariffs within one region creates a new set of (*de facto*) trade preferences within the rest of the world, and we see offsetting ex-Americas trade growth in most cases, but only in modest quantities. Occasionally, however, small reductions in bilateral trade outside the region are probably induced by trade contraction with respect to the Americas (see e.g. Rest of World [ROW]). Generally speaking, economies outside the Americas stand by and watch regional trade expand in the region and contract with respect to them, with only negligible adjustments to their other bilateral ties. Thus most of the trade growth within the Americas is offset by diversion. For countries in the Americas (including their trade with ex-regional economies), GTL induces trade growth of \$605 billion, while FTAA expands trade by only \$125 billion. Net global trade under GTL was \$1,771 billion, but under FTAA it falls to \$148 billion or 1.4%, less than ten percent of the global gains.<sup>6</sup>

Advocates of regionalism often argue that it can be an expedient and even necessary step in the ultimate evolution to globalization. This assertion is supported and contested from many angles, but across the vast literature that has emerged on the subject, there are few landmark conclusions or sweeping generalities. On one hand, there are intense debates about the welfare economics of sequencing of and choice between regimes of trade liberalization, most of which are unresolved. On the other, there is a general recognition of the constructive role that regionalism plays in raising awareness about the benefits of more liberal trade. Certainly, it is true that regionalism is often easier to effect because of shared history, institutions, and generally lower transactions costs, both in the bargaining process and in the economics of the new steady state. It is also true that consummation of a regional agreement can be an important precedent, building public and private institutional capacity and general readiness for more collaborative (and statutory) approaches to external economic relations.

Whether an individual country's membership in a regional arrangement is a logical stepping stone to globalization, however, also depends in an essential way on the patterns of structural adjustment arising from the two trade regimes. This is clearly a country and region specific issue, and again is best decided on empirical grounds. Using the model and simulations already discussed in this section, we examine this question for the GTL, FTAA, and UTL liberalization scenarios. Our findings indicate that the compatibility of these regimes is limited, but most seriously so in the case of unilateralism. Generally speaking, regionalism as reflected in the FTAA can probably make the transition to more global free trade with out too much intermediate structural distortion. It is also apparent, however, that there is not much of a first-mover advantage for individual countries to preempt regionalism with unilateralism, because for most this would mean structural changes in direction incompatible with comparative advantages under FTAA or GTL.

To assess the compatibility of trade regimes, we have decided to focus on a concept which we term structural congruence. By this we mean similarity in the composition of real sectoral output within a country under two different policy regimes. For example, two policies will lead to different percentage changes in the vector of sectoral output. If these percent change vectors are a positive scalar multiple of one another, we say the two policies are structurally congruent. In other words, the policies differ in their output composition effect only by a uniform (positive) aggregate growth factor. A weaker congruence would allow for negative scalar multiples, meaning output can increase or decrease, but maintains the same structural composition. The basic logic of this is that two congruent trade regimes will only affect the level of growth, and transition between them will not induce significant structural adjustment. Incongruent policies can, on the other hand, expand and contract completely different activities, and the transition between them would have much higher adjustment costs for the same macroeconomic growth benefit.

Ideally, a larger agenda for trade liberalization would be a congruent extension of an intermediate one. This is the explicit or implicit logic behind many of the arguments for reducing tariff rate dispersion, as well as the tariffication and phase-out approaches to liberalization: Get the imbalances out of relative prices first and then wind down the aggregate external bias uniformly. Unfortunately, in a second-best world these approaches can have unanticipated consequences, so again rules-of-thumb are of limited utility. What we do instead is to estimate the induced sectoral adjustments and appraise the congruence of trade regimes directly. The results, not surprisingly, are highly variegated.

In Table 3, we give percent output changes (with respect to baseline levels in 2015) for selected FTAA countries and five aggregated sectors (there are 18 in the model), as these would be induced by nine different trade regimes. The latter policies are the now familiar GTL, FTAA, as well as unilateral trade liberalization (UTL, unreciprocated tariff abolition) for Mexico, Argentina, Brazil, Chile, Colombia, Venezuela, and Rest of LAC. It is immediately apparent from these results that the FTAA has limited structural congruence with GTL. For the United States, for example, only one of the three aggregate sectors (Ag and Food) moves in the same direction, expanding output under both regimes. The U.S. Textile and Apparel sector would actually expand slightly (with respect to 2015) under the FTAA, while it would contract significantly under GTL. The relatively small percent effects for the U.S. under FTAA might make these qualitative differences less troubling, but in all the cases discussed here, it is essential to keep in mind the political economy of trade policy. Very different interests will be mobilized under a regime that realizes sectoral expansion, compared to those arising when sectors contract. This implies a policy landscape between regionalism and multilateralism that is full of obstacles and pitfalls, offsetting and in some cases nullifying the benefits of regionalism in terms of precedence, institution building, etc.<sup>7</sup> Of course, the net benefits of regional integration remain, but these results indicate that the FTAA will introduce new impediments to realizing the larger gains from globalization. The lack of structural congruence is more dramatic among other FTAA members. Canada has two sectors moving in the same direction, two in sharply and one in moderately opposing directions. Mexico exhibits the highest congruence of the group, with complete qualitative agreement and surprisingly homogeneous quantitative shifts. Argentina would experience a reversal of fortune in Agriculture and Food by moving from FTAA to GTL, with a small contraction leading to a large (15.1%) expansion of real output. Adjustments in Brazil are diametrically opposed between the FTAA and GTL, with large opposing shifts in four of five aggregate sectors. Chile, Colombia, and Venezuela all show higher levels of FTAA-GTL congruence, with notable exceptions. The latter include Textiles and Apparel in Colombia, which would expand under FTAA but contract under GTL. The same reversal would be even more dramatic for Rest of LAC. These results particularly reinforce the perception of regionalism as de facto discriminatory mechanism, effecting trade diversion incompatible with extension to global free trade. Clearly, Textiles and Apparel in Brazil, Colombia, and Rest of LAC are benefiting from a competitive disadvantage that FTAA confers on Asian exporters.

Comparison with the UTL results is instructive for a variety of reasons. Firstly, we can compare the congruence of UTL with the GTL and FTAA regimes to better interpret incentive properties. The greater the structural congruence, the easier it might be to transition from most expedient unilateralism to eventual globalization. It can also be argued that congruence between UTL and FTAA confers a first-mover advantage on the country in question. The underlying political economy of adjustment being similar, they can implement UTL and realize its gains quickly, making the transition to FTAA without too much more structural or political adjustment. Unfortunately, there are no general tendencies apparent in these results to support either reasoning. In some cases (Mexico, Chile, Colombia), UTL is fairly congruent with FTAA, while in some (Mexico and Brazil) it is more congruent with GTL. Only Mexico has high congruence across all three regimes, but in most cases unilateralism would be a false start toward regionalism, globalization, or both.

In results not presented here<sup>8</sup>, there could be an additional reason to negotiate regional agreements as opposed to going it alone. The potentially negative terms of trade



impacts could be rather severe for a number of countries were they to go it alone rather than negotiate reciprocal market access. Most of the countries in LAC would suffer a terms of trade loss between 2 and 5 percent under unilateral liberalization as the market power conferred by the Armington assumption allows exporting countries to raise their prices as tariffs are lowered. These terms of trade losses are largely mitigated in the RTL since reciprocal tariff reductions in partner countries benefit exporters in LAC.

### *III. CONCLUSIONS AND EXTENSIONS*

In this paper, we use a global empirical simulation model to examine a variety of trade liberalization scenarios for the Americas. In particular, we compare global trade liberalization (GTL) that abolishes all tariffs, regional tariff liberalization (RTL) that eliminates tariffs within the Americas and Caribbean, and unilateral trade liberalization (UTL) by selected Latin American countries. Our results are consistent with some conventional intuition, but in other ways contradict conclusions obtained from simplified theoretical models. For example, we find that GTL yields the greatest benefit, both for the rest of the world and for RTL members, while an FTAA arrangement is beneficial to all members, expands intra-regional trade fivefold, but induces significant trade diversion away from nonmembers. Despite the fact that GTL gains are many times those of the RTL for members, one might still expect to see the latter negotiated because of uncertainties about realization of GTL and because members may not see the RTL and GTL as mutually exclusive.

We also examine the issue of structural congruence between the three levels of trade liberalization, meaning the extent to which different policies induce harmonious shifts in output structure. Our findings indicate that, for most countries, GTL, RTL, and UTL induce resource pulls and shifts in output composition in significantly different directions. This implies that, in a hypothetical transition from UTL to RTL to GTL (or any pair wise transition), output in many sectors would reverse themselves and sometimes significantly so. This in turn would give rise to very different regimes of political economy, depending on the beginning and ending policy scenarios. Thus, for example, it may not be reasonable to see the FTAA as a milestone on the way to GTL, apart from general learning and institution building in the domains of multilateralism generally and trade negotiation in particular.

The most salient lesson from this preliminary work, however, may be the essential role that detailed empirical analysis can play in support of strategic trade policy. It is obvious from the complexity of influences giving rise to our results that policy makers relying on economic theory, intuition, or rules of thumb alone are unlikely to adequately foresee the consequences of their actions. Not only are the magnitudes of induced adjustments difficult to ascertain because of the scope of indirect effects, but also qualitative outcomes often directly contradict intuition or the predictions of highly simplified models, leading to the opposite results from the intended ones. Fortunately, models and data of the kind used here are now well-established research tools. They can now be applied to a large universe of issues to better elucidate the economic consequences of policy before it is implemented.

## *Notes*

<sup>1</sup> These fringe benefits are espoused by a variety of authors, and the general issues are synthesized nicely in World Bank [2000]. Compare also Hoekman and Leidy [1993].

<sup>2</sup> On the former issue, see e.g. Hoekman and Kostecki [1995].

<sup>3</sup> The detailed results from bilateral free trade agreements are not presented here but can be found in Roland-Holst and van der Mensbrugghe, *op. cit.*

<sup>4</sup> Differences here are due to differences in real exchange rate adjustments. Because of Brazil's higher prior protection (Table A.1), their real exchange rate rises less and the purchasing power of their exports, under the BOP closure constraint, allows a smaller increase in imports.

<sup>5</sup> See, e.g. World Bank [2000] for extensive discussion of the incentive properties of regional and multilateral agreements.

<sup>6</sup> Results at the regional and global level can be compared with, e.g. Brown et al [2001], Anderson, Francois, Hertel, Hoekman, and Martin [2000], Martin and Winters [1996], and Collado et al [1995]

<sup>7</sup> For discussion of this in another regional context, see Lee, Roland-Holst, and van der Mensbrugghe [1999].

<sup>8</sup> See Roland-Holst and van der Mensbrugghe [2002].



Table 1

**BILATERAL TRADE FLOWS - GLOBAL TRADE LIBERALIZATION**  
(Changes in 2015)

		US\$ 1997 billion																
Importers		Exporters																Total
		usa	can	mex	arg	bra	chl	col	ven	xsm	eur	jpn	rhy	chn	xea	sas	row	
United States	usa	0.0	-18.1	4.0	-0.2	2.0	0.6	0.3	1.5	6.3	47.8	-1.8	-15.6	66.0	14.7	20.9	21.5	149.9
Canada	can	-18.0	0.0	0.7	0.0	0.1	0.3	0.1	0.1	0.1	12.6	2.3	0.2	7.7	1.7	1.6	2.5	12.0
Mexico	mex	-22.6	0.4	0.0	0.1	2.4	0.8	0.0	0.6	0.5	14.9	3.3	1.7	6.7	4.6	1.3	1.9	16.4
Argentina	arg	3.2	0.2	1.3	0.0	12.0	1.1	0.0	0.0	0.7	8.0	0.4	0.2	4.1	1.5	0.4	0.8	33.9
Brazil	bra	9.5	0.2	2.7	15.9	0.0	0.3	0.0	0.6	0.9	13.7	2.0	0.4	9.1	7.2	0.8	3.3	66.6
Chile	chl	1.3	0.1	0.7	0.2	0.6	0.0	0.1	0.1	0.5	2.2	0.0	-0.1	2.0	0.4	0.0	0.3	8.2
Colombia	col	0.8	-0.1	0.5	0.0	0.1	0.1	0.0	1.5	0.7	0.7	0.0	-0.2	0.2	0.7	0.0	0.2	5.2
Venezuela	ven	1.0	0.2	0.7	0.1	1.0	-0.1	0.9	0.0	0.3	0.8	0.2	-0.1	0.8	0.4	0.0	0.1	6.4
Rest of LAC	xsm	10.3	0.6	1.5	0.8	2.1	1.0	1.2	1.5	4.8	4.5	1.5	0.1	5.0	0.8	0.1	0.7	36.4
Western Europe	eur	26.0	12.6	4.2	8.8	11.2	1.8	1.9	0.5	18.2	-197.3	10.6	30.4	72.7	32.2	38.3	175.7	247.8
Japan	jpn	11.1	2.6	1.4	0.0	0.6	1.2	0.3	0.0	0.8	20.0	0.0	14.8	39.6	18.9	6.8	17.4	135.5
Rest of high-income	rhy	12.5	1.0	0.5	0.2	0.4	0.4	0.1	0.0	0.4	31.8	3.7	-11.7	26.4	9.6	6.9	9.3	91.7
China	chn	30.9	6.0	0.3	1.5	16.6	-0.6	0.0	0.0	-1.3	48.3	49.8	41.9	0.0	73.2	3.5	7.0	277.0
Rest of East Asia	xea	26.4	1.3	1.2	0.4	0.5	0.7	0.4	-0.1	1.2	37.9	29.1	1.5	55.1	67.8	7.6	16.6	247.6
South Asia	sas	4.5	-0.1	0.0	0.4	0.3	0.1	0.1	-0.1	-0.1	22.0	6.5	-0.6	18.1	11.3	4.3	32.8	99.3
Rest of the world	row	29.5	6.2	1.7	6.3	16.2	1.1	0.5	0.2	4.0	117.4	2.4	2.1	39.6	17.0	29.3	63.7	337.3
	Total	126.5	13.1	21.3	34.4	65.9	8.8	5.9	6.4	38.0	185.5	110.0	65.0	353.1	261.8	121.7	353.7	1771.1

over...

Table 1 (continued)

**BILATERAL TRADE FLOWS - GLOBAL TRADE LIBERALIZATION**  
(Changes in 2015)

		Percent change in 2015																
		Exporters								Importers								
		usa	can	mex	arg	bra	chl	col	ven	xsm	eur	jpn	rhy	chn	xea	sas	row	Total
United States	usa	0.0	-6.6	2.6	-5.9	9.9	12.1	2.7	9.3	17.8	13.2	-1.2	-12.2	33.8	9.8	67.0	17.4	9.0
Canada	can	-7.8	0.0	8.9	8.3	7.2	75.4	9.9	14.9	4.5	24.7	19.3	1.5	59.6	11.5	67.1	19.7	3.3
Mexico	mex	-16.9	17.5	0.0	10.1	103.0	84.1	-3.4	66.1	36.6	59.1	50.9	36.6	179.6	68.2	136.3	37.0	8.4
Argentina	arg	29.5	33.8	102.9	0.0	91.6	85.2	13.7	-8.1	31.9	52.0	29.5	8.3	127.7	62.4	83.9	31.2	59.5
Brazil	bra	30.5	6.4	118.9	122.3	0.0	12.8	-4.6	38.0	15.9	35.9	42.4	7.2	117.5	102.0	72.3	28.5	49.4
Chile	chl	14.1	15.0	29.0	6.5	21.1	0.0	35.0	45.7	35.5	24.0	-1.9	-8.2	46.0	14.7	-6.5	17.1	20.3
Colombia	col	7.7	-21.0	44.2	-0.6	4.7	18.0	0.0	70.0	51.6	9.5	2.6	-20.4	31.3	54.8	-5.7	12.7	16.8
Venezuela	ven	9.8	24.0	51.1	22.5	66.4	-27.1	85.9	0.0	31.0	13.7	25.3	-10.1	82.4	48.7	4.1	5.5	23.8
Rest of LAC	xsm	26.6	32.1	25.6	18.0	26.9	51.6	36.6	39.3	42.1	19.7	12.3	2.3	62.3	10.8	13.3	14.5	26.4
Western Europe	eur	6.5	32.0	22.2	69.0	39.4	17.2	18.7	12.9	56.8	-9.1	8.8	25.0	43.9	21.1	77.3	37.8	6.5
Japan	jpn	8.8	18.7	27.4	-1.0	9.6	19.7	26.7	1.0	14.2	15.7	0.0	24.8	38.9	19.4	69.6	25.7	21.5
Rest of high-income	rhy	9.4	10.8	14.8	14.3	8.8	13.8	19.8	4.8	13.2	21.1	3.8	-13.8	30.5	6.2	69.0	21.9	11.7
China	chn	38.0	75.6	18.0	47.7	274.4	-29.6	6.3	-24.2	-26.2	47.2	49.8	28.7	0.0	66.9	31.4	15.7	44.7
Rest of East Asia	xea	18.6	9.7	41.5	13.2	7.7	15.6	55.1	-17.3	26.8	22.7	24.8	1.2	69.9	64.8	55.4	20.7	28.6
South Asia	sas	27.9	-7.4	-6.5	38.9	31.8	11.0	34.8	-67.1	-17.1	48.8	92.5	-4.0	129.8	59.8	69.8	95.7	61.1
Rest of the world	row	21.5	47.7	23.7	59.9	145.2	85.3	28.2	17.3	44.2	23.0	6.0	3.9	65.8	25.6	98.9	26.3	28.2
	Total	8.4	3.4	9.9	57.9	58.0	21.7	18.4	19.9	31.1	4.9	16.3	8.5	47.4	29.2	72.7	31.0	16.5

Table 2

**BILATERAL TRADE FLOWS - FREE TRADE ACROSS THE AMERICAS**  
(Changes in 2015)

		US\$ 1997 billion																
Importers		Exporters																
		usa	can	mex	arg	bra	chl	col	ven	xsm	eur	jpn	rhy	chn	xea	sas	row	Total
United States	usa	0.0	4.6	1.3	0.7	8.1	0.8	0.9	0.8	20.0	3.8	2.1	0.2	0.2	-0.8	-1.1	0.7	42.4
Canada	can	3.7	0.0	0.4	0.1	0.7	0.4	0.0	0.0	0.7	0.2	0.3	-0.1	0.1	-0.2	-0.1	-0.1	6.2
Mexico	mex	3.7	0.4	0.0	0.2	3.7	1.1	0.0	0.6	0.8	-0.1	0.1	-0.1	0.1	0.1	0.0	0.0	10.4
Argentina	arg	6.9	0.4	1.6	0.0	20.4	1.4	0.0	0.0	0.9	-3.9	-0.3	-0.2	-0.8	-0.5	-0.1	-0.2	25.7
Brazil	bra	21.5	0.8	3.3	25.5	0.0	0.7	0.0	0.8	1.5	-8.5	-1.2	-0.6	-1.5	-1.6	-0.1	-0.8	39.8
Chile	chl	4.3	0.2	1.2	0.8	1.9	0.0	0.2	0.2	0.7	-1.8	-0.5	-0.2	-0.7	-0.7	-0.1	-0.2	5.4
Colombia	col	2.9	-0.1	0.7	0.0	0.5	0.1	0.0	2.3	1.2	-1.6	-0.6	-0.1	-0.1	-0.5	0.0	-0.3	4.4
Venezuela	ven	3.3	0.6	0.9	0.3	1.9	-0.1	1.3	0.0	0.5	-1.3	-0.4	-0.1	-0.2	-0.3	0.0	-0.1	6.2
Rest of LAC	xsm	21.1	0.7	2.0	1.3	5.6	1.2	1.3	1.7	6.3	-4.7	-1.8	-0.6	-2.6	-1.6	-0.1	-1.0	28.9
Western Europe	eur	-12.0	-0.4	-0.2	-2.0	0.4	0.0	0.8	-0.2	-1.4	4.2	0.1	0.1	1.0	0.6	0.4	-0.5	-9.0
Japan	jpn	-3.5	0.0	0.0	-0.2	0.0	0.0	0.1	0.0	-0.3	0.6	0.0	0.2	0.8	0.6	0.1	0.0	-1.8
Rest of high-income	rhy	-4.1	-0.1	0.0	-0.3	0.0	0.0	0.0	0.0	-0.1	0.8	0.4	0.3	0.6	1.0	0.1	0.0	-1.3
China	chn	-2.6	-0.1	0.0	-0.6	0.0	0.0	0.0	0.0	-0.2	0.2	0.0	-0.2	0.0	0.3	0.1	-0.1	-3.2
Rest of East Asia	xea	-4.3	-0.1	0.0	-0.5	0.0	0.1	0.0	0.0	-0.1	0.6	0.2	0.2	0.5	0.5	0.1	-0.1	-2.9
South Asia	sas	-0.5	0.0	0.0	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	-0.1	-0.8
Rest of the world	row	-3.6	0.0	-0.1	-1.6	0.2	0.0	0.2	-0.1	-0.3	1.9	0.1	0.2	0.4	0.4	0.3	0.2	-2.0
	Total	36.9	6.9	10.9	23.5	43.2	6.0	4.9	6.0	30.0	-9.5	-1.6	-1.2	-2.1	-2.6	-0.6	-2.4	148.4

over...

Table 2 (continued)

		BILATERAL TRADE FLOWS - FREE TRADE ACROSS THE AMERICAS (Changes in 2015)																
		Percent change in 2015																
Importers		Exporters														Total		
		usa	can	mex	arg	bra	chl	col	ven	xsm	eur	jpn	rhy	chn	xea		sas	row
United States	usa	0.0	1.7	0.9	15.8	40.6	16.9	8.2	4.9	56.9	1.0	1.4	0.1	0.1	-0.5	-3.6	0.6	2.6
Canada	can	1.6	0.0	4.6	45.2	37.6	105.1	2.7	5.8	23.5	0.4	2.3	-0.9	0.7	-1.4	-2.4	-0.5	1.7
Mexico	mex	2.8	17.3	0.0	31.5	159.6	109.6	4.0	75.0	52.9	-0.4	0.9	-2.0	2.0	1.2	0.4	0.1	5.4
Argentina	arg	63.2	60.6	127.5	0.0	155.2	115.2	9.3	-10.7	39.0	-25.2	-20.0	-10.1	-23.3	-21.8	-16.9	-6.2	45.1
Brazil	bra	68.7	26.6	148.0	196.1	0.0	31.5	3.0	45.7	26.8	-22.1	-25.4	-12.6	-19.0	-22.8	-9.8	-7.3	29.5
Chile	chl	48.1	39.3	53.7	28.5	67.4	0.0	59.7	64.9	51.0	-19.6	-27.7	-19.0	-15.2	-26.1	-12.9	-14.6	13.4
Colombia	col	28.3	-22.3	60.2	9.5	44.2	24.4	0.0	107.5	82.6	-21.9	-38.8	-16.5	-20.0	-39.7	-22.7	-17.2	14.3
Venezuela	ven	33.1	56.6	64.7	40.8	125.2	-21.3	113.3	0.0	52.5	-22.6	-41.8	-17.0	-26.2	-34.2	-9.8	-5.9	23.0
Rest of LAC	xsm	54.6	40.0	33.5	28.3	71.7	62.8	42.1	45.1	55.3	-20.6	-15.1	-20.0	-31.9	-21.5	-20.6	-19.4	20.9
Western Europe	eur	-3.0	-0.9	-1.3	-15.7	1.6	0.5	7.8	-6.3	-4.2	0.2	0.1	0.1	0.6	0.4	0.7	-0.1	-0.2
Japan	jpn	-2.8	-0.2	-0.9	-14.4	-0.4	0.7	5.1	-3.7	-5.3	0.5	0.0	0.3	0.8	0.6	1.0	0.1	-0.3
Rest of high-income	rhy	-3.0	-0.6	-1.2	-16.8	0.1	1.6	6.4	-7.7	-2.4	0.5	0.4	0.3	0.7	0.6	0.8	0.1	-0.2
China	chn	-3.2	-0.9	-1.6	-18.6	-0.6	0.6	3.3	-5.9	-4.9	0.2	0.0	-0.1	0.0	0.2	0.6	-0.2	-0.5
Rest of East Asia	xea	-3.0	-0.9	-1.3	-15.3	-0.3	1.2	5.6	-7.5	-1.9	0.3	0.2	0.2	0.6	0.5	0.7	-0.1	-0.3
South Asia	sas	-3.4	-1.3	-1.8	-17.2	-1.7	1.2	6.5	-10.4	-3.3	0.0	-0.2	-0.1	0.3	0.3	0.4	-0.4	-0.5
Rest of the world	row	-2.6	-0.2	-1.7	-15.4	1.7	-0.7	9.3	-7.4	-3.8	0.4	0.2	0.3	0.7	0.5	1.1	0.1	-0.2
	Total	2.4	1.8	5.1	39.6	38.0	14.8	15.3	18.7	24.6	-0.2	-0.2	-0.2	-0.3	-0.3	-0.3	-0.2	1.4

Table 3

SECTORAL OUTPUT ADJUSTMENTS (Percent changes in 2015)											
			GTL	FTAA	Unilateral Trade Reform (UTL)						
					mex	arg	bra	chl	col	ven	xsm
United States	usa	Agriculture & Food	7.9	0.6	1.0	-0.1	0.0	0.0	0.0	1.0	0.0
		Energy	0.0	-0.1	0.0	0.0	0.0	0.0	0.1	0.0	-0.1
		Textile & Apparel	-13.4	1.5	-0.9	0.0	0.0	0.0	0.1	-0.9	1.7
		Other manufacturing	-1.1	0.0	-0.3	0.0	0.0	0.0	0.0	-0.3	-0.1
		Other goods & services	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Canada	can	Agriculture & Food	24.2	-1.0	0.6	-0.2	0.3	0.1	0.0	0.6	0.2
		Energy	-1.0	0.6	-0.1	-0.1	0.0	0.0	0.3	-0.1	-0.2
		Textile & Apparel	-27.2	-2.8	0.0	0.0	0.1	0.0	0.0	0.0	-0.2
		Other manufacturing	-4.8	0.1	-0.3	0.0	-0.1	0.0	-0.1	-0.3	0.0
		Other goods & services	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Mexico	mex	Agriculture & Food	-3.1	-4.0	-6.9	-0.1	0.0	0.0	0.0	-6.9	0.0
		Energy	6.0	0.8	3.5	-0.2	-0.1	0.0	0.3	3.5	-0.2
		Textile & Apparel	-16.9	-1.1	-2.3	0.0	-0.1	0.0	0.0	-2.3	-0.4
		Other manufacturing	2.6	2.3	3.3	0.1	0.1	0.0	0.0	3.3	0.1
		Other goods & services	0.4	0.2	0.3	0.0	0.0	0.0	0.0	0.3	0.0
Argentina	arg	Agriculture & Food	15.1	-0.6	0.0	6.8	-2.8	0.1	0.0	0.0	0.1
		Energy	-2.2	-0.3	-0.1	8.1	-2.8	0.9	0.0	-0.1	-1.3
		Textile & Apparel	-8.2	-0.8	0.0	-1.3	-0.8	-0.2	0.0	0.0	0.1
		Other manufacturing	-6.2	4.4	0.0	-4.5	3.6	-0.1	0.0	0.0	0.0
		Other goods & services	0.0	-0.2	0.0	-0.1	0.3	0.0	0.0	0.0	0.0
Brazil	bra	Agriculture & Food	17.5	-0.4	-0.1	-0.4	1.7	0.0	0.0	-0.1	0.0
		Energy	0.2	-0.9	-0.1	-0.6	1.9	0.0	0.0	-0.1	-0.4
		Textile & Apparel	-6.2	3.7	-0.1	0.2	-0.6	-0.1	0.0	-0.1	0.2
		Other manufacturing	-5.9	0.5	0.1	0.2	-0.8	0.0	0.0	0.1	0.0
		Other goods & services	0.2	0.0	0.0	0.0	0.3	0.0	0.0	0.0	0.0
Chile	chl	Agriculture & Food	21.1	4.7	0.0	-0.5	0.7	1.3	0.2	0.0	0.4
		Energy	-10.8	-7.1	-0.2	-0.9	0.6	-8.1	0.0	-0.2	-0.7
		Textile & Apparel	-13.8	-0.8	-0.3	0.3	-0.2	-6.8	-0.2	-0.3	-0.4
		Other manufacturing	-4.6	1.5	0.1	0.4	-0.4	3.6	-0.1	0.1	0.0
		Other goods & services	0.6	-0.1	0.0	0.1	0.1	-0.1	0.0	0.0	0.0
Colombia	col	Agriculture & Food	9.2	4.4	0.0	-0.1	0.1	0.0	2.1	0.0	-0.1
		Energy	-12.1	-11.8	-0.1	0.1	0.4	0.0	-4.3	-0.1	0.9
		Textile & Apparel	-3.5	6.9	0.0	0.0	-0.2	-0.2	0.6	0.0	-0.4
		Other manufacturing	-6.4	-1.3	-0.1	0.0	-0.4	0.1	-3.6	-0.1	0.0
		Other goods & services	0.0	-0.1	0.0	0.0	0.0	0.0	0.3	0.0	0.0
Venezuela	ven	Agriculture & Food	0.2	-1.4	0.0	-0.3	0.1	0.0	0.3	0.0	0.0
		Energy	9.0	5.7	0.0	0.1	0.6	0.0	-0.8	0.0	-0.3
		Textile & Apparel	-11.6	-5.6	-0.1	0.0	-0.2	0.0	-0.1	-0.1	-0.6
		Other manufacturing	-5.1	0.1	0.1	0.0	-0.9	0.0	1.1	0.1	0.6
		Other goods & services	-0.1	-0.2	0.0	0.0	0.1	0.0	0.1	0.0	0.0
Rest of LAC	xsm	Agriculture & Food	22.6	0.6	0.1	-0.3	0.3	0.1	-0.1	0.1	0.4
		Energy	-0.6	1.4	-0.3	-0.3	-0.8	0.3	0.1	-0.3	14.0
		Textile & Apparel	-13.9	27.5	-0.4	0.5	0.5	-0.2	0.0	-0.4	-5.4
		Other manufacturing	-9.1	-2.6	0.1	0.2	-0.2	-0.1	0.1	0.1	2.0
		Other goods & services	-0.7	-1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.5

Table A.1

**BILATERAL TRADE-WEIGHTED TARIFFS  
(Percentage)**

Importing country/region	Exporting country/region																					
	usa	can	mex	arg	bra	chl	col	ven	xsm	eur	jpn	rhy	chn	sea	sas	row	Total					
United States	usa	0.4	0.5	4.6	5.2	3.4	7.1	1.1	9.4	2.2	2.3	2.8	5.7	3.8	7.0	2.1	2.4	1.8	3.5	1.4	0.4	6.0
Canada	can	0.8	0.5	6.9	4.2	13.3	0.0	1.5	3.2	3.8	3.7	5.3	8.7	3.6	8.9	2.1	2.0	1.7	3.8	0.9	0.8	3.7
Mexico	mex	1.8	8.2	9.8	8.2	11.7	0.0	7.2	8.3	7.3	8.7	9.9	13.6	9.6	6.5	4.1	3.8	3.3	8.1	2.2	1.9	8.1
Argentina	arg	9.6	8.7	14.9	15.4	12.8	0.0	0.0	8.2	11.7	10.9	7.4	16.8	12.7	6.1	4.2	11.6	10.7	13.0	12.2	10.0	14.0
Brazil	bra	10.4	6.1	14.7	21.8	6.8	0.0	5.8	8.1	10.4	13.9	7.7	15.1	13.3	5.3	4.2	11.0	10.4	12.3	12.5	10.3	16.0
Chile	chl	9.2	7.7	10.3	9.8	9.5	7.5	11.0	9.0	8.4	9.1	6.6	10.2	8.7	0.0	6.5	8.9	8.7	9.2	9.4	9.3	9.5
Colombia	col	8.6	1.9	11.8	9.3	9.7	10.0	14.8	14.5	6.0	12.8	2.7	5.0	13.8	0.0	4.1	8.8	7.7	11.5	10.0	8.5	13.2
Venezuela	ven	10.4	15.7	14.8	12.4	15.3	3.3	15.8	10.6	7.3	15.7	5.6	12.0	9.7	0.0	1.9	10.4	9.9	11.7	11.9	11.3	13.5
Rest of LAC	xsm	11.8	9.1	8.4	10.7	10.9	11.8	10.3	11.5	9.2	12.6	9.4	13.5	10.3	3.1	4.7	10.6	11.1	10.0	11.0	11.3	10.6
Western Europe	eur	2.7	3.3	3.1	15.9	7.0	4.5	4.2	2.5	0.5	3.6	4.7	5.7	4.6	7.3	4.4	1.9	1.1	5.1	3.6	2.7	8.2
Japan	jpn	9.3	19.4	5.0	13.8	11.0	10.0	10.4	0.0	3.7	10.4	8.6	6.7	10.2	1.8	1.8	7.0	7.7	6.0	10.3	10.2	11.4
Rest of high-income	rhy	2.0	1.4	0.3	4.1	1.6	1.3	0.0	1.0	2.6	2.8	1.5	2.9	1.5	2.9	0.9	2.1	2.3	1.7	1.9	2.0	1.6
China	chn	13.9	22.6	5.9	22.9	36.6	1.0	0.0	7.3	11.0	15.2	15.7	16.0	9.5	5.3	5.3	14.0	14.3	12.9	15.4	14.6	20.7
Rest of East Asia	sea	9.3	3.9	6.1	34.3	11.0	6.6	5.1	0.0	6.8	9.8	7.6	18.4	9.2	8.0	4.4	8.3	8.0	9.2	9.1	8.8	11.8
South Asia	sas	15.5	7.6	8.7	25.5	20.7	15.7	7.3	0.0	5.1	18.8	27.0	17.4	27.4	25.3	24.5	21.0	18.6	24.2	14.9	14.5	16.8
Rest of the world	row	8.7	12.7	5.0	25.9	19.0	16.2	4.8	10.3	11.1	8.6	8.7	14.4	11.0	13.9	8.2	10.3	10.4	10.1	10.1	8.9	17.2
<b>Total</b>		5.1	2.6	1.7	17.4	10.5	6.7	3.4	9.6	3.1	6.1	6.9	8.3	6.5	8.7	5.1	4.8	4.1	6.4	5.1	4.3	9.8
High-income	hiy	3.2	1.7	0.8	11.7	6.5	5.4	5.8	1.3	1.0	2.9	4.5	5.9	4.0	7.2	3.4	2.5	1.9	4.3	3.1	2.5	7.1
Low- and middle-income	liy	8.3	10.0	8.9	20.4	15.9	9.1	8.8	8.1	10.3	11.6	10.7	16.8	12.4	12.1	8.2	10.4	10.1	11.2	9.5	8.5	13.9
Western Hemisphere	wsh	3.5	0.6	1.3	15.2	9.4	7.2	8.1	3.7	3.9	3.7	3.5	6.7	4.7	6.9	2.5	3.8	3.2	5.0	3.4	2.2	9.0
NAFTA	nft	1.2	0.4	0.5	5.2	5.4	5.0	6.5	1.4	2.6	2.6	3.2	6.0	3.9	7.1	2.2	2.5	1.9	3.6	1.4	0.8	5.9
LAC excluding Mexico	lax	10.6	8.3	11.1	17.4	13.2	9.8	10.9	9.1	9.7	12.7	7.6	13.6	11.5	3.6	4.4	10.6	10.3	11.2	11.4	10.5	12.8

Source: GTAP Version 5.0

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