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ARTICLE

Survey on Free Trade Agreements and Customs Unions

Carsten Weerth*

From 1948 to 1994, the General Agreement on Tariffs and Trade (GATT) Secretariat received 124 indications of Regional Trade Agreements (RTAs) relating to the trade in goods, and since the creation of the World Trade Organization (WTO) in 1995, more than 240 additional RTAs (covering trade in goods and services) have been notified to the WTO.[1] Since 1990, the number of RTAs indicated to the GATT/WTO Secretariat concerning the trade in goods has risen strongly.

A World Customs Organization (WCO) survey on the existing Free Trade Agreements (FTAs) and Customs Unions (CUs) in the trade of goods has been published in September 2008.

This paper shows the major findings of the WCO survey and puts them into a wider WTO/GATT picture.

1. Introduction: Regional Trade Agreements and Preferential Trade Agreements

The term Regional Trade Agreement (RTA) is defined as 'actions by governments to liberalize or facilitate trade on a regional basis, sometimes through free-trade areas or customs unions'.[2] In the World Trade Organization (WTO)/General Agreement on Tariffs and Trade (GATT) context, RTAs have both a more general and a more specific meaning – more general because RTAs may be agreements concluded between countries not necessarily belonging to the same geographical region and more specific because the WTO provisions that relate specifically to conditions of preferential trade liberation with RTAs.[3]

Between 1958 and 2005, 141 RTAs concerning the trade in goods were indicated to the GATT Secretariat (since 1995, to the WTO Secretariat) – from 1958 to 1989, twenty-five RTAs were founded; from 1990 to 2005, 116 RTAs were founded.[4] The WTO is forecasting about 400 active RTAs in 2010.[5] A total of 380 RTAs have been notified to the WTO/GATT up to July 2007,[6] of which up to September 2008, 321 were notified under Article XXIV GATT and twenty-seven under the enabling clause[7] – so that 348 were

Notes

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1 See R. V. Fiorentino, L. Verdeja, & C. Toqueboef, 'The Changing Landscape of Regional Trade Agreements: 2006 Update', WTO Discussion Papers No. 12, <www.wto.int/english/res_e/booksp_e/discussion_papers12a_e.pdf> and <www.wto.int/english/res_e/booksp_e/discussion_papers12b_e.pdf>, 1 Nov. 2008, 4. It is significant to note that only thirt-six of 124 RTAs notified to the GATT Secretariat from 1948 to 1994 remain active and in force today – reflecting in most cases the evolution and political change over time of the agreements themselves, as they were superseded by new ones between the same signatories (most often deeper in integration) or by the consolation into wider groupings.

2 See WTO, 'Scope of RTAs', <www.wto.org/english/tratop_e/region_e/scope_rta_e.htm>, 1 Nov. 2008, and Dictionary of Trade Policy Terms.

3 Ibid.

4 See Crawford & Fiorentino, 2005, s. 7.

5 See WTO, Press release, General Direktor Pascal LAMY, Speech of 17 Jan. 2007 in Bangalore/India, and WTO, 'Regional Trade Agreements', 2008.

6 See WTO, 'Regional trade agreements', <www.wto.org/english/tratop_e/region_e/region_e.htm>, 1 Nov. 2008.

7 The Enabling Clause, officially called the 'Decision on Differential and More Favourable Treatment, Reciprocity and Fuller Participation of Developing Countries', was adopted under GATT in 1979 and enables developed members to give differential and more favourable treatment to developing countries, see WTO, 'Enabling Clause for Developing Countries', <www.wto.org/english/tratop_e/devel_e/dev_special_differential_provisions_e.htm#enabling_clause, 1 Nov. 2008.
The Enabling Clause is the WTO legal basis for (1) the *Generalized System of Preferences* (GSP), under which developed countries offer non-reciprocal preferential treatment (such as zero or low duties on imports) to products originating in developing countries; preference-giving countries unilaterally determine which countries and which products are included in their schemes, and (2) for RTAs among developing countries and for the Global System of Trade Preferences (GSTP), under which a number of developing countries exchange trade concessions among themselves.
For more information on the GSP and the GSTP, see the UNCTAD homepage at <www.unctad.org>.

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notified, of which 205 were in force.[8] Of these RTAs, Free Trade Agreements (FTAs) and partial scope agreements[9] account for over 90%, while Customs Unions (CUs) account for less than 10%.[10]

The tendency to create more and more FTAs and CUs becomes clear when the RTAs are regarded that are in force but not yet notified to the WTO/GATT Secretariat (approximately 70), the RTAs are signed but not yet in force (about 30), the RTAs are currently being negotiated (about 65), and some are at a proposal stage (approximately 30), which will make the global landscape of implemented RTAs close to 400 agreements in 2010.[11]

Developing countries are involved in 125 of 193 preferential agreements notified to the WTO Secretariat as of March 2007.[12]

Therefore, one could speak of 'regionalization of globalization'[13] or the subdivision of the world into 'trade blocks.'[14] More and more RTAs are concerning tariff reductions (Preferential Trade Agreements (PTAs)).[15] Only eighteen of 141 RTAs have been negotiated between industrial countries; thirty-six

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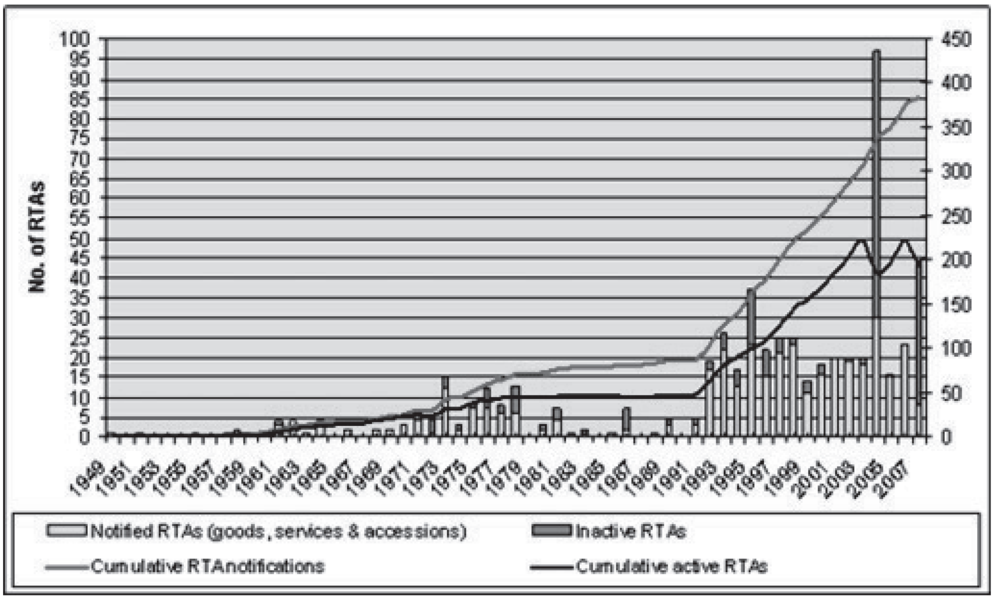
Figure 1: Evolution of RTAs in the World, 1948-2007

The left side shows the number of notified RTAs in percent; the right side, in absolute numbers



Source: WTO Secretariat, <www.wto.int/english/tratop_e/region_e/regfac_e.htm>, 2008.

Notes

8 See WTO, 'Regional Trade Agreements Notified to the GATT/WTO and in Force as of 15 September' 2008, <www.wto.org/english/tratop_e/region_e/region_e.htm>, 1 Nov. 2008. Fifty-six RTAs are covering the trade in services. To focus on the actual number of agreements confronts one with non-exhaustive and inaccurate figures since it is practically impossible to verify the data for many of the RTAs that either have not been notified, are in the different phases of implementation, or are not active anymore; see Fiorentino et al., 2. For example, they conclude that as of Dec. 2006, there were 367 RTAs notified to the GATT/WTO Secretariat, of which 214 were in force.

9 Partial scope agreements providing for the reduction and/or elimination of duties on a limited number of products are allowed under para. 2 lit. (c) of the Enabling Clause, which is only applicable for developing countries, see Fiorentino et al., 7, n. 20.

10 See WTO, 'Regional Trade Agreements', <www.wto.org/english/tratop_e/region_e/region_e.htm>, 1 Nov. 2008. Fiorentino et al., 6, show the amount with FTAs with 84%. Partial scope agreements with 8% and CUs with 8%. For a detailed analysis about the different objectives of FTAs and CUs and the conditions of geographical contiguous countries and the flanking ideas of political integration, economic and monetary unions, supranational institutions, etc., see Fiorentino et al., 6.

11 See Fiorentino et al., 5.

12 See J. Rollo, 'The Challenge of Negotiating RTA's for Developing Countries: What Could the WTO Do to Help?' <www.wto.int/english/tratop_e/region_e/con_sep07_e/rollo_e.pdf>, 1 Nov. 2008, 2.

13 Other authors are describing this situation as 'Regionalism versus multilateralism', see G. Glania & J. Matthes, *Multilateralismus oder Regionalismus? – Optionen für die Handelspolitik der EU*, Institut der deutschen Wirtschaft, 2005; W. Weiß & C. Herrmann, Welthandelsrecht, Munich, 2003, no. 605-609; H. Siebert, Weltwirtschaft, & Stuttgart, 1997, 204; and J.-M. Grether, K. Lawler, & H. Seddighi, *International Economics*, Essex, 2001, 141-145.

14 See K. A. Chase, *Trading Blocks – States, Firms, and Regions in the World Economy*, Ann Arbor, 2005.

15 The term Preferential Trade Agreement (PTA) is not contained in the WCO Glossary of Customs Terms, 2006.

RTAs, between industrial states and developing states; thirty RTAs, between developing states; and forty-two RTAs, between intermediate economies.[16] Europe has the biggest amount of all RTAs.[17] About all WTO members are members of more than one RTA, with a mean of six RTAs per WTO Member State.[18]

Some WTO Member States are contracting parties in up to ten PTAs[19] (the so-called 'overlapping membership',[20] also called 'noodle bowl'[21] or 'spaghetti bowl'[22]), which results in a difficult position regarding the overall liberation of world trade – the basically always applicable rule of most favoured nations (MFN) according to Article I paragraph 1 of the GATT is under these conditions applicable from the most WTO Member States against the fewest trading partners[23] (Article I paragraphs 2 to 4 of GATT).

The amount of trade performed under PTAs in the world was, between 1988 and 1992, 40% of all world trade and 42% overall between 1993 and 1997 – the European Communities (EC) had a part of about 70% of all PTA trade (the whole Americas – north and south – had a part of 25% between 1993 and 1997), whereas Asia and Oceania had a very small amount of only 4% of PTA-based world trade.[24]

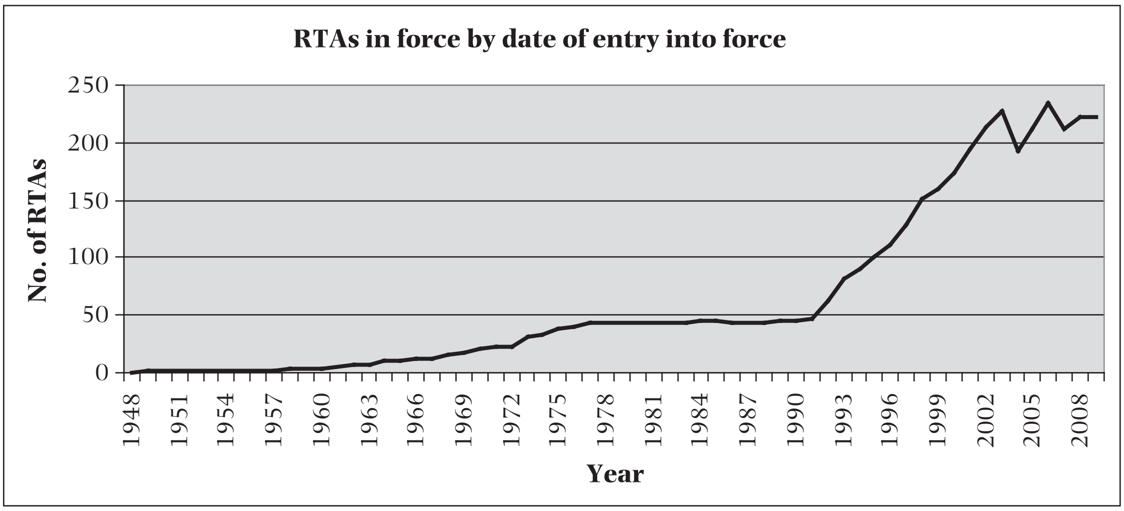
A new trend in the RTAs is that more and more agreements are cross-regional RTAs (covering countries from the following global regions: Euro-Mediterranean area, Asia Pacific, Western Hemisphere – the Americas, sub-Sahara Africa, Middle East, Central Africa), while only 12% of the RTAs notified and in force are cross-regional. This figure increases to 43% for the agreements signed and under negotiation and to 52% for those at a proposal stage.[25]

2. Scope and Problems of RTAs

2.1. Scope of RTAs

The coverage and depth of preferential treatment vary from one RTA to another – modern RTAs, and not exclusively those linking the most developed

Figure 2: The RTAs in Force by Date of Entry into Force from 1948 to 2008



Source: WTO, <www.wto.org/english/tratop_e/region_e/summary_e.xls>

Notes

16 See Crawford & Fiorentino, 2005, 7.
17 See Crawford & Fiorentino, 2005, 8, who are also looking at the situation in other continents.
18 See P. Gordhan, 'Customs in the 21st Century', *World Customs Journal* 1, No. 1 (2007), No. 1, s. 50.
19 See WTO, Press release, General Director Pascal Lamy, Speech of 17 Jan. 2007 in Bangalore.
20 See WTO, 'Scope of RTAs', <www.wto.org/english/tratop_e/region_e/scope_rta_e.htm>, 1 Nov. 2008.
21 See R. Baldwin, 'Managing the Noodle Bowl: The Fragility of East Asian Regionalism', CEPR Discussion Papers 5561, <www.cepr.org/pups/dps/DP5561.asp>, 1 Nov. 2008.
22 See R. Baldwin, S. Evenett, & P. Low. 'Beyond Tariffs: Multilaterising Deeper RTA Commitments', WTO Working Paper, <www.wto.int/english/tratop_e/region_e/con_sep07_e/baldwin_evenett_low_e.pdf>, 1 Nov. 2008, 1, and R. Baldwin, 'Multilateralising Regionalism: Spaghetti Bowls as Building Blocs on the Path to Global Free Trade', *The World Economy* 29, no. 11 (2006): 1451-1518, <http://hei.unige.ch/~Baldwin/PapersBooks/Unbundling_Baldwin_06-09-20.pdf>, 1 Nov. 2008.
23 See Gordhan, 50.
24 See Grether & Olarreaga, 1998, 28.
25 See Fiorentino et al., 5.

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economies, tend to go far beyond tariff-cutting exercises, for example, they provide for increasingly complex regulations governing intra-trade, such as safeguard provisions, customs administration, and standards, and they often also provide for the preferential regulatory framework for mutual service trade (the most sophisticated RTAs go beyond traditional trade policy mechanisms, to include regional rules on investment, competition, environment, and labour).[26]

2.2. Problems of RTAs

RTAs can complement the multilateral trading system and help to build and strengthen it (therefore, Article XXIV GATT allows them), but by their very nature, RTAs are discriminatory because they are a departure of the MFN principle[27] of Article I paragraph 1 of the GATT. Their effects on global trade and economic growth are not clear given that the regional economic impact of RTAs is *ex ante* inherently ambiguous: although RTAs are designed to the advantage of signatory (participating) countries, expected benefits may be undercut if distortions in resource allocation, as well as trade and investment diversion, potentially present in any RTA process are not limited, if not eliminated altogether.[28]

Developing countries are not equally fit to negotiate RTAs with developed economies because of the lack of expertise in research and administrations – a negative effect that should be addressed by the help of the WTO or other international organizations in order to organize technical assistance.[29]

3. Overview of FTAs and CUs

3.1. Data Sources of the WCO Background Paper

The publication of the WCO background paper[30] enables research about the importance of FTAs and CUs – how many regional agreements have been notified to the WTO – Secretariat (as of 1 March 2007) and how much trade is done by FTAs and CUs?

The WCO has published an overview about 123 FTAs and CUs,[31] the trade performed by these agreements (in 2005), and the amount of imports from FTAs and CUs as of 31 December 2005. The WCO survey is based on information obtained mainly from information issued by other international economic organizations such as the WTO and the IMF (International Monetary Fund).[32]

3.2. Data About FTAs and CUs

In four tables, the results are presented. Table 1 shows the major FTAs or CUs (cluster agreements). Table 2 shows the number of FTAs that the major FTAs of CUs have negotiated. Table 3 shows the list of FTAs that single nations have negotiated (bilateral with other single nations). Table 4 shows the countries and number of agreements according to the number of FTAs.

4. Results

None of the least developed countries[33] have negotiated a bilateral RTA in force (see Table 2).

Seven least developed countries are Member States of the SADC (see Table 1); two least developed countries are Member States of the PAFTA (see Table 1).

Only six of 123 (5%) RTAs of the trade in goods are CUs, whereas 118 (95%) RTAs are FTAs.

More than two-thirds of all FTAs or CUs were established among or with European countries, or eighty of 123 FTAs (or CUs), which amount to 65%.

Two European RTAs have negotiated several bilateral agreements; the EC has twenty-one FTAs, the EFTA has thirteen FTAs (see Table 2).

Mexico is the single nation with most FTAs (ten bilateral agreements with single states and the NAFTA membership), followed by Turkey (ten bilateral agreements with single states and the EC/EFTA) and the United States (seven bilateral agreements with single states and the NAFTA membership and the agreement Dominican Republic/Central America/United States) (see Table 4).

Notes

26 See WTO, 'Scope of RTAs', <www.wto.org/english/tratop_e/region_e/scope_rta_e.htm>, 1 Nov. 2008.
27 Ibid.
28 Ibid.
29 See Rollo.
30 See WCO, 'Survey on Free Trade Agreements', Sep. 2008, <www.wcoomd.org/files/1.%20Public%20files/PDFandDocuments/Harmonized%20System/SurveyFTA20080915.pdf>, 1 Nov. 2008.
31 Not included are preferential arrangements, services agreements, and the agreements for accessions to existing agreements.
32 See IMF, 'Country Information' (IMF Website); IMF, 'Government Finance Statistics Yearbook', 2006; IMF, 'Taxes on International Trade and Transactions', Excel files provided from the IMF to the WCO (not published).
33 See UN, 'List of Least Developed Counties, <www.un.org/special-rep/ohrlls/ldc/list.htm>, 1 Nov. 2008, and WTO, 'List of the Least Developed Countries, <www.wto.org/english/thewto_e/whatis_e/tif_e/org7_e.htm>, 1 Nov. 2008.

Table 1: Overview of the Major FTAs or CUs (Cluster Agreements)

Name	**Countries**	**FTA or CU**
EC	27 – Belgium, The Netherlands, Luxembourg, Germany, Italy, France, Great Britain, Ireland, Denmark, Greece, Spain, Portugal, Austria, Sweden, Finland, Estonia, Latvia, Lithuania, Poland, Hungary, Cyprus, Malta, Slovenia, Slovakia, Czech Republic, Bulgaria, Romania[34]	CU
European Free Trade Association (EFTA)	4 – Iceland, Norway, Liechtenstein, Switzerland	FTA
Commonwealth of Independent States (CIS)	11 – Armenia, Azerbaijan, Belarus, Georgia, Moldova, Kazakhstan, Kyrgyzstan, Russian Federation, Ukraine, Tajikistan	FTA
Eurasian Economic Community (EAEC)	5 – Belarus, Kazakhstan, Kyrgyzstan, Russian Federation, Tajikistan	CU
North American Free Trade Agreement (NAFTA)	3 – Canada, United States, Mexico	FTA
Central American Common Market (CACM)	5 – Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua	CU
Caribbean Community and Common Market (CARICOM)	15 – Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname, Trinidad and Tobago	CU
Southern Cone Common Market (MERCUSUR)	4 – Argentina, Brazil, Paraguay, Uruguay	CU
Dominican Republic/Central America/United States	7 – Dominican Republic, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, United States	FTA
Southern Africa Development Community (SADC)	13 – Angola*, Botswana, Congo (Democr. Rep.)*, Lesotho*, Malawi*, Mauritius, Mozambique*, Namibia, South Africa, Swaziland, Tanzania*, Zambia*, Zimbabwe	FTA
Gulf Cooperation Council (GCC)	5 – Bahrain, Kuwait, Qatar, Saudi Arabia, United Arab Emirates	CU
Pan-Arab Free Trade Area (PAFTA)	16 – Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Qatar, Saudi Arabia, Sudan*, Syria, Tunisia, United Arab Emirates, Yemen*	FTA

* Least developed countries.

Table 2: List of FTAs that the Major FTAs/CUs have Negotiated (which are in force)

Major FTA/CU	**Number of FTAs**
EC	21
EFTA	13

Table 5 shows the share of imports from FTAs and CUs in the year 2005 as percentage according to their total import in order of geographical distribution (regions and continents).

About 43% of the imports of the world (USD 10,718.6 billion) occurred among FTAs and CU member countries.

In the case of European countries, almost 70% of imports came from FTA or CU Member States.[35] The EC had a share of about 71%; the EFTA, a share of 78%; and the CIS, a share of 31%.

The American countries had a share of 39% of imports from FTAs or CUs; NAFTA, of 39%; CACM, of 63%; CARICOM, of 8%; and MERCUSUR, of 20%.

The African countries had a share of 44% of imports from FTAs or CUs; the SADC had a share of 38%.

Notes

34 The EC Member States are shown in the order of accession from 1958 to 2007.

35 See WCO, ‘Survey on Free Trade Agreements’, Sep. 2008, <www.wcoomd.org/files/1.%20Public%20files/PDFandDocuments/Harmonized%20System/SurveyFTA20080915.pdf>, 1 Nov. 2008.

Table 3: List of FTAs that Single Nations have Negotiated (Bilateral with other single Nations) in Alphabetical Order. Double Counting is Possible (e.g., the FTA Albania/Croatia is Counted for both Nations). The Joint result with Table 1 is also Shown (Number of FTAs/CUs by a Single Nation)

Single Nation	***Number of FTAs***	***Joint Result with Table 1***
Albania	6	6
Algeria	1	1
Andorra	1	1
Armenia	7	8
Australia	5	5
Azerbaijan	1	2
Bahrain	1	3
Bosnia and Herzegovina	5	5
Canada	3	4
Costa Rica	3	5
Chile	8	8
China	2	2
Croatia	8	8
Egypt	1	1
El Salvador	3	5
Faeroe Islands	4	4
Georgia	6	7
Guatemala	1	3
Honduras	1	3
Hong Kong, China	1	1
Iceland	1	2
India	1	1
Israel	6	6
Japan	3	3
Jordan	4	5
Kazakhstan	2	4
Korea (Republic)	3	3
Kyrgyzstan	6	8
Lebanon	2	3
Liechtenstein	1	2
Macao, China	1	1
Malaysia	1	1
Mexico	10	11
Moldova	5	6
Morocco	4	5
New Zealand	3	3
Nicaragua	1	3
Norway	1	2
Palestinian Authority	3	3
Panama	1	1
Papua New Guinea	1	1
Russian Federation	2	4
Serbia	1	1

Single Nation	*Number of FTAs*	*Joint Result with Table 1*
Singapore	7	7
South Africa	1	2
Sri Lanka	1	1
Switzerland	1	2
Syria	2	3
Thailand	2	1
The Former Yugoslav Republic Macedonia	5	5
Turkey	10	10
Turkmenistan	2	2
Tunisia	3	4
Ukraine	2	3
United States	7	9

* Least developed countries.

Table 4: Countries and Number of Agreements According to the Number of FTAs

Single Nation	*Number of FTAs*	*Joint Result with Table 1*
Mexico	10	11
Turkey	10	10
United States	7	9
Chile, Croatia	8	8
Armenia	7	8
Kyrgyzstan	6	8
Singapore	7	7
Georgia	6	7
Albania, Israel	6	6
Moldova	5	6
Australia, Bosnia and Herzegovina, The Former Yugoslav Republic of Macedonia,	5	5
Jordan, Morocco	4	5
Costa Rica, El Salvador	3	5
Faeroe Islands	4	4
Canada, Tunisia	3	4
Kazakhstan, Russian Federation	2	4
Japan, Korea (Republic), New Zealand, Palestinian Authority	3	3
Lebanon, Syrian, Ukraine	2	3
Bahrain, Guatemala, Honduras, Nicaragua,	1	3
China, Turkmenistan	2	2
Azerbaijan, Iceland, Liechtenstein, Norway, South Africa, Switzerland	1	2
Thailand	2	1
Algeria, Andorra, Egypt, Hong Kong (China), India, Macao (China), Malaysia, Panama, Papua New Guinea, Serbia, Sri Lanka	1	1

* Least developed countries.

Table 5: Share of Imports from FTAs and CUs in the Year 2005

Region/FTA/CU	**Imports from FTAs and CUs (%)**
I. Europe	**68.7**
EC	70.8
EFTA	78.1
CIS	31.1
Others (Albania, Andorra, Bosnia and Herzegovina, Croatia, Faeroe Islands, Serbia, The Former Yugoslav Republic of Macedonia, Turkey, Turkmenistan)	49.0
II. America	**38.5**
NAFTA	39.4
CACM	63.2
CARICOM	8.0
MERCUSUR	19.8
Chile	39.4
Dominican Republic	52.2
III. Africa	**43.8**
SADC	38.2
Algeria	61.7
IV. Middle East	**31.9**
Pan-Arab FTA	27.9
Israel	61.8
V. Asia	**10.4**
China	1.9
Hong Kong, China	45.0
Macao, China	43.1
India	0.4
Japan	4.6
Korea, Republic	3.6
Malaysia	14.6
Singapore	18.6
Sri Lanka	20.7
Thailand	3.0
VI. Oceania	**27.6**
Australia	27.3
New Zealand	26.6
Papua New Guinea	54.7
Total (FTA countries)	**45.6**
Total (World)	**42.6**

The Middle east had a share of 32%; the Pan-Arab FTA, of 28%; and Israel, of 62%.

Asia had the smallest amount of imports from FTAs or CUs (overall 10%): China, 1.9%; Hong Kong, 45%; Macao, 43%; India, 0.4%; Japan, 5%; Republic of Korea, 4%; Malaysia, 15%; Singapore, 19%; Sri Lanka, 21%; and Thailand, 3%.

In Oceania, Australia and New Zealand had a joined share of 27%.

Table 6 shows the distribution of country groups with different levels of shares of imports from FTA and CU Member States in terms of total import value in the year 2005. In the case of thirty countries, more than 70% of the total import value came from Member States of FTAs and CUs (for the purpose of this result, Member States of FTAs and CUs were counted separately). For fifty-seven countries, over 50% of total imports came from Member States of FTAs and CUs.

Only seven (5%) least developed countries are within the survey of Table 6.

Six of seven countries (86%) that are importing more than 80% from FTAs are European countries, and five (71% of all) of these are EC Member States and one (14% of all) is an EFTA Member State.

Nineteen of twenty-three countries that are importing more than seventy and less than 80% (83%) from FTAs are European countries, and sixteen (70% of all) of these are EC Member States and two (9% of all) are EFTA Member States.

Nine of nineteen countries that are importing more than 60% and less than 70% from FTAs are European countries (47%), and seven (37% of all) of these are EC Member States and two (11% of all) of these are CIS and also EAEC Member States, respectively. One (5% of all) country belongs to the least developed countries.

The amount of European countries in the following groups is much smaller (between 0% and 25%), and the amount of least developing countries is staying at level between 0% and 14% (either 0, 1, or 2).

5. Discussion

Only 5% of the RTAs in the trade of goods are CUs; 95% are FTAs. A CU differs from an FTA by having a Common External Tariff (which means the same tariff to outside countries) and no tariffs inside the CU, whereas an FTA has no CET with different tariffs against outside countries for each Member State of the FTA. FTAs and CUs have different objectives: CUs share the FTAs objective of comprehensive trade liberalization among the parties; however, their formation is driven by political objective that together with their configuration requirements severely limit their flexibility as a trade policy instrument compared

Table 6: Share of Imports from FTAs and CUs by Number of Countries for the Year 2005

Share of Imports from FTA Countries	***Number of Countries***	***Names of Countries***
More than 80%	7	Austria, Denmark, Faeroe Islands, Greenland, Slovenia, Switzerland, Tunisia
70%-80%	23	Belgium, Croatia, Cyprus, Czech Republic, El Salvador, Estonia, Finland, France, Honduras, Hungary, Iceland, Latvia, Luxembourg, Malta, Mexico, Morocco, Norway, Poland, Portugal, Romania, Slovak Republic, Spain, Sweden
60%-70%	19	Algeria, Belarus, Bulgaria, Canada, Germany, Greece, Guatemala, Ireland, Israel, Italy, Jordan, Lebanon, Lithuania, Malawi*, Syria, Tajikistan, The Former Yugoslav Republic of Macedonia, United Kingdom, Zimbabwe
50%-60%	8	Costa Rica, Dominican Republic, Netherlands, New Caledonia, Nicaragua, Papua New Guinea, Turkey, Zambia*
40%-50%	10	Bahrain, Egypt, Hong Kong, Kazakhstan, Macao, Mozambique*, Paraguay, South Africa, Uruguay, Uzbekistan
30%-40%	12	Argentina, Chile, Georgia, Grenada, Iraq, Kyrgyzstan, Moldova, Oman, St. Vincent and the Grenadines, Ukraine, United States, Yemen*
20%-30%	14	Armenia, Aruba, Australia, Azerbaijan, Barbados, Bosnia and Herzegovina, Congo (Democr. Rep.)*, Dominica, Guyana, New Zealand, Sri Lanka, St. Kitts and Nevis, St. Lucia, Sudan*
10%-20%	11	Angola*, Jamaica, Kuwait, Libya, Malaysia, Netherlands Antilles, Qatar, Russian Federation, Singapore, Suriname, Tanzania
0%-10%	17	Albania, Bahamas, Belize, Brazil, China, Haiti, India, Japan, Mauritius, Panama, Korea (Rep.), Saudi Arabia, Serbia, Thailand, Trinidad and Tobago, Turkmenistan, United Arab Emirates
No data available	9	Andorra, Antigua and Barbuda, Botswana, Lesotho*, Liechtenstein, Montserrat, Namibia, Palestinian Territory, Swaziland
Total	130	–

* Least developed countries.

to FTAs.[36] A CU reflects the traditional objective of regional political integration among geographically contiguous countries[37] and is therefore often flanked by considerations that reach beyond the realm of trade (e.g., political integration, economic and monetary unions, supranational institutions, and so forth).[38]

Europe is a stronghold of RTAs in trade – about 70% of its trade is done with FTAs or CUs. The Americas, Africa, the Middle East, Asia, and Oceania have a much smaller amount of imports from FTAs or CUs.

Although some of the least developed countries (only seven) are Member States of FTAs, their

Notes

36 See Fiorentino et al., 6.
37 Ibid.
38 Ibid., 7.

Table 7: Amounts of Imports from FTAs and CUs as of Table 6 in European Countries and the Least Developed Countries

Amount of Imports from FTA/CU	***European Countries***	***Least Developed Countries***
More than 80%	6 (86%)	0
70%-80%	19 (83%)	0
60%-70%	9 (47%)	1 (5%)
50%-60%	1 (13%)	1 (13%)
40%-50%	0 (0%)	1 (10%)
30%-40%	3 (25%)	1 (8%)
20%-30%	1 (7%)	2 (14%)
10%-20%	0 (0%)	1 (9%)
0%-10%	2 (12%)	0 (0%)
No data available	2 (22%)	1 (11%)

overall share is rather small. The question is, why is that?

Article XXIV of the GATT and the Enabling Clause are facilitating the founding of FTAs or CUs under the WTO/GATT in order to promote free regional trade as step toward a free world trade. However, the situation gets difficult to understand: are the many FTAs really helping to create a global free trade? What are the legal and economic benefits and costs of regional FTAs and CUs?

In particular, the least developed countries seem to be virtually excluded from FTAs and regional trade integration. Therefore, it should be a focus of joint efforts of the United Nations Conference on Trade and Development (UNCTAD),[39] the WCO,[40] and the WTO[41] to promote the negotiation of RTAs for the least developed countries, for instance, by technical assistance, training for officials, and external help (from experts, scholars, or NGOs) to administrations and governments.[42]

6. Conclusion

The number of RTAs in the trade of goods (about 95% FTAs and 5% CUs) is strongly rising. This is said to pose a problem to the WTO Trading system according to the GATT (Article I and XXIV of the GATT). Most countries are members of many RTAs, which makes the picture more complicated and confusing. The tendency of cross-regional RTAs is rising. The overall number of RTAs in force is also rising strongly.

Europe is the continent with most FTAs and a very successful CU (the EC): more than two-thirds of all FTAs or CUs were established among or with European countries, about 70% of all imports to European countries (in absolute figures) are coming from other FTAs, and twenty-five European countries have more than 70% of imports from others.

Other regions and continents are having a much smaller share of trade with FTAs or CUs.

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Notes

39 All fifty least developed countries as of the UN list are UNCTAD Member States, see UNCTAD, List of Member States, 2008.
40 Forty-one of the least developed countries are WCO Member States, see WCO, List of Member States, 2008.
41 Thirty-three of the least developed countries are WTO Member States, see WTO, List of the least developed countries, 2008.
42 See Rollo, for interesting suggestions and ideas.

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