

The World Trade Organization was established 30 years ago, following the conclusion of the Uruguay Round of trade negotiations, the world's last major advance in multilateral trade liberalization. Since then, progress has been sporadic and limited to specific areas. More troubling, since the financial crisis of 2008-09, the multilateral trading system seems to be moving backwards, with the propagation of discriminatory trade barriers and a growing number of trade disputes being left unresolved. Could a move toward deep regional trade agreements be a solution?

The world did not stop reducing trade barriers in 1995. The key difference was in the approach to trade liberalization, which transitioned from multilateral to preferential/regional. In the two decades following the establishment of the WTO, the number of regional trade agreements (RTAs) grew more than six-fold. Although the pace has slowed in the last decade, new RTAs are still being signed, with 371 currently in force.

Is this the way to go? Should we be comfortable with the near-paralysis of multilateral trade negotiations if trade continues to be liberalized through RTAs? For many years, the answer has seemed to be yes. Except for the European Union, which is unique in many ways, most other RTAs until the early 2000s were "shallow", focusing primarily on eliminating bilateral trade barriers. While in theory the effect of those RTAs is ambiguous, the evidence shows that they created more trade than they diverted (Freund and Ornelas, 2010).

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