

Regional Trade Agreements and the WTO

by Dr A R Chowdhury

A question that has baffled policy makers around the world is whether these RTAs are beneficial institutions that complement WTO objectives, or do they act as serious impediments to globalism?

Pilgrims' Pathetic End

We are shocked at what happened in Meena. Although the usually tight-lipped Saudi authorities have put the number at little over hundred it is now widely believed some 150 pilgrims including three Bangladeshis were killed in Thursday's stampede.

Possibility of sudden death is something we all have to live with, more so in a huge congregation like Hajj where so many people from all over the world gather to seek divine blessings, yet it is difficult to console oneself at such a great extent of irreparable loss of human lives.

Sadder still, this has become a pattern. Almost every year we hear news of mass accident in Saudi Arabia during Hajj. This is embarrassingly puzzling for the hosts as well as for the rest of the world. Because apparently there is no short coming on the part of the hosts in the arrangement for this annual pilgrimage.

Peace Comes to Ulster

It could well be an epoch-making event but for the fact that it related to two religious communities in the small British province of Ulster or Northern Ireland. It will not naturally mean much to the world outside of the British Isles — in practical terms.

The Stormont Accord which gives Ulster a parliament and government and referendums each for the state of Ireland and the British Northern Ireland to endorse and make necessary changes in the arrangement so long in use, comes as an ideal solution for the ticklish question of the communal minority and majority.

Prime Minister Tony Blair saw in the accord a triumph of courage. Courage to concede and courage to face peace renouncing recourses to arms. Yes, many of world's worst woes germinated in a lack of courage to move towards peace and understanding.

And he was beside himself acknowledging he has been, during the negotiations, among some of the very finest people. The world never knew before this that such quality and understanding characterised the four parties to the bloody fray.

Indonesia's Third Rescue Plan

Indonesia and the IMF have signed their third bail-out plan to rescue the economy of the fourth most populous nation in the world. However critics remain unconvinced about its effectiveness, and feel it will go the same way as did the two previous agreements.

We commend IMF for its concessions on subsidies. As has already been seen the Indonesian masses could not have absorbed the shock of a sudden rise in the price of food which would have led to serious social unrest. The principal question here is: will President Suharto allow the breaking down of the monopolies and privileges of the big companies the most delinquent of which are owned by his close family members?

Of all the countries affected in the recent currency crisis, Indonesia is the worst off simply because of its widespread corruption and political uncertainties. While President Suharto has ruled quite effectively and somewhat successfully over the last three decades, where he has failed his nation most miserably is not providing for a peaceful transition of power and creating a genuinely elective political system.

REFERENTIAL trade agreements have multiplied dramatically over the last thirty years. They have proliferated to the point where virtually all members of the World Trade Organisation (WTO) belong to some form of regional trade agreements (RTAs). These RTAs, sanctioned by Article XXIV of the General Agreement on Trade and Tariff (GATT) are mostly in the form of a customs union, a free trade agreement, or an interim agreement leading to one or the other.

These trading arrangements are posing both an important challenge as well as a unique opportunity for the WTO. It is a challenge because RTAs can lead to high welfare costs for both the participating as well as non-participating countries by diverting trade and investment. It can also generate important welfare gains for the participants as well as the rest of the world by creating regional dynamic forces in favour of freer trade.

A question that has baffled policy makers around the world is whether these RTAs are beneficial institutions that complement WTO objectives, or do they act as serious impediments to globalism?

and 1970s when the growth was concentrated exclusively in Europe, and then again since 1990 when the growth has been more widespread.

The recent spurt in regional trade agreements can be attributed to the need of many smaller countries to complement internal efficiency gains from trade with external market access.

Trade creation occurs when a lower trade barrier between member countries leads one country to import goods that otherwise would be produced at home or not produced at all. Trade creation generates efficiency gains for the member countries by encouraging goods to be produced wherever costs are lowest within the RTA.

The potential for trade diversion depends upon the size of the external trade barriers maintained by the member-nations. If a country has moderate tariffs and other trade barriers, then relatively few importers

will find an incentive to shift their imports from outside countries to member countries once preferential access is granted. However, if a country has high tariffs and other trade barriers, then the preference given to member countries will provide a substantial incentive for importers to look within the RTA rather than to the outside world.

Liberalisation of private investment flow is a necessary complement of trade liberalisation. Since 1975, foreign direct investment has increased twelve-fold while the value of merchandise trade has multiplied nine times.

Recent economic analysis have shown that RTAs may impact the extent and speed of unilateral trade liberalisation by members of the WTO. If, for example, members of an RTA become more willing to conduct unilateral trade reforms or grant concessions in the context of a multilateral negotiation, then RTAs can be seen as contributing towards a more liberal trading system.

Congress and Sonia after Elections

When viewed in larger perspective, it appears that she did contribute for the organisation on the eve of polls and the impact could have been wider if she had involved herself actively with party campaign earlier.

SONIA Gandhi has finally taken over the stewardship of the oldest political organisation of India in the aftermath of the recent general elections. The one-day national convention of the party a few days ago in New Delhi has confirmed her earlier appointment by the 18-member working committee as the new president of the party.

She has taken a big challenge about revitalising the organisation that spearheaded Indian independence and afterwards ruled for most part of the fifty years of free India. For the 51-year-old lady, who was born in a small city in Italy and because of sheer turn of events has become the chief of India's most well-known organisation, the task is not only gigantic but a matter of survival in many ways.

Sonia Manio, the daughter of an Italian builder, was at the Cambridge and met the then India prime minister late Indira Gandhi's son at the university cafeteria in 1966 which blossomed into a romantic affair that ended in the happy marriage in 1968. Her husband — Indira's eldest son Rajiv Gandhi — was not a political person and the couple remained outside the purview of politics.

Also the developments that surrounded the Congress for the last two years contributed considerably for her coming into politics. Although Rajiv died several years ago, Sonia did not have any interest for politics — to the extent that she had also discouraged a political career for her husband till circumstances made it near inevitable.

Mr Nehru, the first prime minister remained at the top of the government for an uninterrupted 17 years till his death in 1964. Lal Bahadur Shastri became the prime minister but Nehru's daughter took over as the head of the government within two years as Mr Shastri died in Tashkent after signing an agreement with arch-rival Pakistan, brokered by Soviet Union's prime minister, Nikita Khrushchev to ease tension.

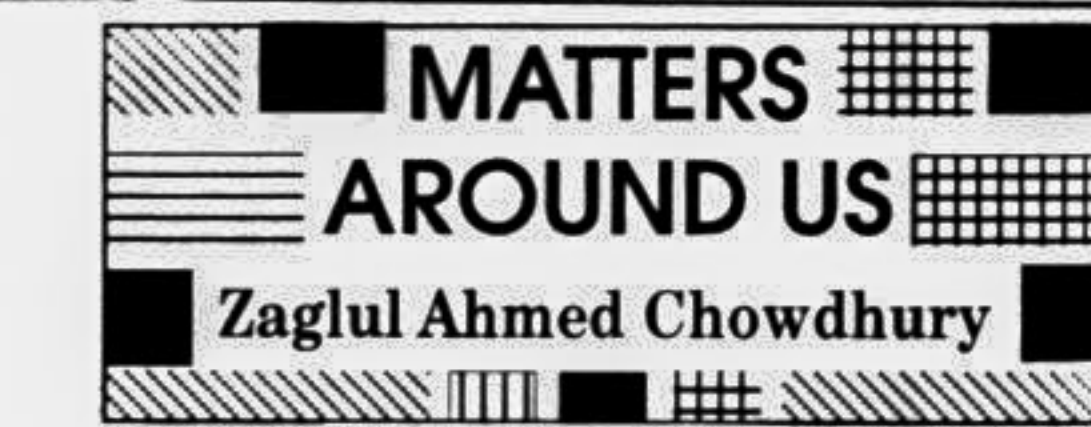
To the Editor...

Why is Mohammadpur left alone? Sir, The road communication from Mohammadpur to Gulistan up to Mottijheel was far better than that is now in Mirpur.

Some sort of tempos, causing discomfort to the passengers. The behaviour of the drivers and helpers of the Maxis is very rude.

Knowing our blood groups Sir, The blood donation programmes have created an enthusiasm amongst the people.

Where is the UN now? Sir, Russians have been helping Iran to build arms for some time now. Recently they're planning on technologically helping them to build a long-range missile that can carry high explosives.



Zaglul Ahmed Chowdhury

her assassination to become the prime minister but this possibly would not have happened if his younger brother Sanjay, who was virtually groomed by Indira Gandhi as family's political heir, not died in a stunt plane crash when he was already a dominant figure of Congress politics.

Mr P V Narasimha Rao's five years as both Congress president and prime minister had a lot to do with Sonia's coming into political life. His leadership caused commotions in the organisation and resulted in several senior leaders like Mr Singh and Mr Schindia parting ways.

Some of the developments that surrounded the Congress for the last two years contributed considerably for her coming into politics. Although Rajiv died several years ago, Sonia did not have any interest for politics — to the extent that she had also discouraged a political career for her husband till circumstances made it near inevitable.

Is Suharto Treated Unjustly?

I read Barrister Harun ur Rashid's article on President Suharto's predicament with much interest. I found it a little amusing that the writer portrays Suharto as a subject of international bullying, IMF President's posture non-withstanding.

Indonesia's achievement in last 30 years is laudable, a few things can be added to the writer's unconditional praise about Suharto. Let us take a look at what cost the consolidation, stability and growth in Indonesia has been achieved.

larger perspective, it appears that she did contribute for the organisation on the eve of polls and the impact could have been wider if she had involved herself actively with party campaign earlier.

What are the challenges for the Congress? No doubt, a party like the BJP which has risen sharply in political scene in last few years and its dynamic leader Mr A B Vajpayee are the main factors for her. The minority and lower class votes are weaning away from Congress and are being more attracted by the parties in the United Front (UF) like the CPI, CPIM, Samajwadi Party, Janata Dal etc.

Sonia's task is daunting but not impossible. She may act as a stop-gap in the Congress politics till daughter Priyanka or son Rahul steps in as both are now in their twenties.

OPINION

Is Suharto Treated Unjustly?

I read Barrister Harun ur Rashid's article on President Suharto's predicament with much interest. I found it a little amusing that the writer portrays Suharto as a subject of international bullying, IMF President's posture non-withstanding.

Indonesia's achievement in last 30 years is laudable, a few things can be added to the writer's unconditional praise about Suharto. Let us take a look at what cost the consolidation, stability and growth in Indonesia has been achieved.

Indonesia does not deserve our sympathy simply because it is the largest Muslim country in the world. Its brand of Islam practiced in Timor is not what we look up to as Muslims. The lesson for us is to put market mechanisms in place as we grow, and let them work, keep government intervention at a minimum, reduce bureaucracy-business collusion, and avoid cronyism at all cost.

Aminul Haque School of Business Georgetown University Washington, DC, USA