

**LATAM Revista Latinoamericana de Ciencias  
Sociales y Humanidades, Asunción, Paraguay.**

ISSN en línea: 2789-3855, 2025, Volumen VI

---

## **Free trade agreements: the backbone of modern trade**

Acuerdos de libre comercio: la columna vertebral del comercio moderno

---

**Dario Fernando Murillo Castro**

snmuri25278@gmail.com

<https://orcid.org/0009-0003-1090-4396>

International Business University

Toronto – Canadá

**DOI:** <https://doi.org/10.56712/latam.v6i5.4827>

**Artículo recibido:** 16 de julio de 2025

**Aceptado para publicación:** 15 de noviembre  
de 2025.

**Conflictos de Interés:** Ninguno que declarar.



**Redilat**  
Red de Investigadores  
Latinoamericanos

**NÚMERO**

DOI: <https://doi.org/10.56712/latam.v6i5.4827>

## Free trade agreements: the backbone of modern trade

Acuerdos de libre comercio: la columna vertebral del comercio moderno

**Dario Fernando Murillo Castro**

snmuri25278@gmail.com

<https://orcid.org/0009-0003-1090-4396>

International Business University

Toronto – Canadá

Artículo recibido: 16 de julio de 2025. Aceptado para publicación: 15 de noviembre de 2025.

Conflictos de Interés: Ninguno que declarar.

### Abstract


Free Trade Agreements (FTAs) are now the norm in global trade. Economic liberalization has passed by past protectionist trends. FTAs shape global governance, policies, and international relations. This study examines how contemporary trade deals exist as governance mechanisms, rather than economic facilitators. The study provides a thematic literature review of the multifaceted relationships between economics, politics, and institutional power using secondary data. The methodology will entail qualitative synthesis, which will involve comparison of the findings of existing scholarly and policy materials. This is to determine the scope of impact of FTAs on contemporary trading systems and rule-making. The distribution of trade power and form has been changed by fragmented governance and emergence of mega-regionals like CPTPP and RCEP (Rimmer, 2024). The question that guides the research is as follows: how far FTAs determine and maintain the contemporary trade system? It supposes that FTAs widen the current trade flows and reorganize the world power relations.

*Keywords:* global market, free trade agreement, governance

### Resumen

Los Tratados de Libre Comercio (TLC) son ahora la norma en el comercio global. La liberalización económica ha dejado atrás las tendencias proteccionistas del pasado. Los TLC configuran la gobernanza global, las políticas y las relaciones internacionales. Este estudio examina cómo los acuerdos comerciales contemporáneos existen como mecanismos de gobernanza, en lugar de facilitadores económicos. El estudio proporciona una revisión temática de la literatura sobre las relaciones multifacéticas entre la economía, la política y el poder institucional utilizando datos secundarios. La metodología implica una síntesis cualitativa, que implica la comparación de los hallazgos de materiales académicos y de políticas existentes. Esto busca determinar el alcance del impacto de los TLC en los sistemas comerciales contemporáneos y la elaboración de normas. La distribución del poder y la forma del comercio se han visto alterados por la gobernanza fragmentada y el surgimiento de megaregionales como el CPTPP y el RCEP (Rimmer, 2024). La pregunta que guía la investigación es la siguiente: ¿hasta qué punto los TLC determinan y mantienen el sistema comercial contemporáneo? Se supone que los TLC amplían los flujos comerciales actuales y reorganizan las relaciones de poder mundiales.

*Palabras clave:* mercado global, tratado de libre comercio, gobernanza

Todo el contenido de LATAM Revista Latinoamericana de Ciencias Sociales y Humanidades, publicado en este sitio está disponibles bajo Licencia Creative Commons. 

Cómo citar: Murillo Castro, D. F. (2025). Free trade agreements: the backbone of modern trade. *LATAM Revista Latinoamericana de Ciencias Sociales y Humanidades* 6 (5), 3490 – 3498.  
<https://doi.org/10.56712/latam.v6i5.4827>

## **INTRODUCTION**

Liberalization of trade has changed the meaning of global trade where countries used to have closed national economies to integrated systems. Countries that were previously relying on tariffs and quotas have turned to alliances that allow them to access larger markets. With the increased globalization came the slowing down of the World Trade Organization (WTO) and countries began to create regional and bilateral Free Trade Agreements. These contemporary FTAs such as the CPTPP, RCEP, and USMCA lead to cooperation and transform political economies (Raczkowski, 2025). They connect international economies, harmonize investment, technology, and innovation policies (Rimmer, 2024). The importance of the present research is in the realization of FTAs as the governance systems rather than only economic devices. Their regulations and dispute procedures influence both governments and both firms and labour markets (Stiglitz, 2017). They also control international diplomacy and trade fairness (Rodrik, 2024). Nonetheless, their roles in rule-making and regulatory power are hardly researched in terms of their institutions. The question that the research poses is thus: what is the effect of FTAs on global and regional power balance, and their relationship with multilateral systems such as WTO? The major assumptions of this research are that FTAs continue to be the core of the trade governance and that the available literature is credible in terms of evidence. The secondary method of analysis limits itself to linguistic and publication constraints. In general, the hypothesis is that FTAs are institutional structures that determine the flows of the economy and international governance.

## **METHODOLOGY**

This study will adhere to a qualitative, exploratory and descriptive study that is based on analysis of secondary data only. This is aimed at interpreting and relating the existing knowledge rather than gathering new information. Due to the nature of the research question a conceptual and policy-oriented one, the qualitative approach is the most suitable (Cartwright & Igudia, 2024). It makes it possible to explore how Free Trade Agreements (FTAs) can influence governance by means of interpretation and synthesis and not measurement.

The reasoning of this strategy is that FTAs entail complicated institutional, political and economic connections. Quantitative designs would not draw attention to the nuances of interrelations between power and policy and trade systems. Rather, thematic literature analysis gives freedom to explore various points of view (Deroncele-Acosta et al., 2024). Such a process renders meaning to secondary sources and is still analytical.

Only peer-reviewed journals, official government reports, policy briefs, and confirmed treaty texts are used to draw data, which are credible secondary sources. Key reference databases include institutional repositories such as WTO, UNCTAD and IMF. Inclusion criteria, all materials are to be published between 2010 and 2025 and in English and should be directly related to trade governance or international treaties on trade. This will guarantee the recency and reliability of the captured development of the modern trade architecture. The initial step in the process is a systematic search of keywords based on the terms free trade agreement, trade governance, CPTPP, RCEP, and USMCA. The search is done in the academic databases such as Scopus, JSTOR, Wiley Online Library, and Taylor and Franklin. Relevant and valid studies that have been retrieved are then filtered out, based on explicit inclusion and exclusion criteria. After collecting the right sources, every document is read thoroughly and manually coded. The analysis has three organized phases. During the first phase, the researcher designates similar concepts and then classifies them into initial codes. The second phase involves the association of the related codes into three extended themes: economic, political and governance. During the last step, thematic interrelations are construed to create a complete meaning.

**Table 1**

*Thematic Framework of FTAs*

Theme	Key Focus	Examples
Economic	Trade flows, market access, FDI	Hersi et al. (2025)
Political	Diplomacy, sovereignty, alliances	Rodrik (2024)
Governance	Institutional frameworks, regulations	Rimmer (2024)

As shown in Table 2, FTAs are analyzed across these three domains, linking trade outcomes with political and institutional processes.

**DEVELOPMENT**

**Theoretical Foundations**

The theory of trade has taken classical forms of thought to modern ones by changing with the times of the global realities. The economists earlier like Ricardo anthropologies trade in terms of comparative advantage, that is, efficiency amongst countries. This reasoning was later extended in new trade theory, which incorporated scale economies and product differentiation (Lashkaripour & Lugovskyy, 2023). These innovations showed that countries might benefit even in the production of similar goods. Mishrif & Khan (2024) went further to opine that information technology and digitalization have enhanced this interdependence thus forming new dimensions of trade integration. Recent scholars emphasize the importance of the institutions and governance in the process of determining the results of trade (Raczkowski, 2025). They opine that treaties are no longer used to reduce tariffs but to organize international co-operation and convergence in regulations. This institutionalist approach provides the theoretical basis of studying FTAs as a system of governance which is able to affect economic as well as political frontiers.

**Empirical Evidence**

Empirical research indicates that FTAs lead to new trade flows and investment. Studies in different blocs have proven that trade agreements increased exports, imports, and foreign direct investment. Hersi et al. (2025) studied the East African Community and discovered the economic integration enhanced the performance of trade among the partner states. The source of such effects is in the fact that the agreements lead to a decrease in the transaction costs and the harmonization of standards which make firms increase cross-border activities. As noted by Mishrif & Khan (2024), the current FTAs increase productivity by means of knowledge spillovers and supply-chain connections. These benefits however are not evenly spread, they are usually concentrated in certain sectors or dominant economies. Less industrialized members or smaller ones may receive smaller gains because of institutional or infrastructural limitations. This imbalance shows that although FTAs enhance economic efficiency, they also strengthen hierarchies in the global trading system. The empirical data is therefore inconclusive, growth to some, dependency to others.

**Political and Governance Views**

In addition to the economic aspect, FTAs have an influential political influence, in terms of the alliances and diplomacy. They are used by the countries to enhance their ties, enhance cooperation in regulation, and geopolitical influence. As Rodrik (2024) observes, these agreements are usually strategic alliances that are not just in the area of trade but also in technology and environment coordination. Likewise, Vladoš (2024) believes that FTAs have assumed the role of global governance and are shifting power among states and regional blocs. Through these treaties, common standards are established on labour

and digital trade, as well as on intellectual property, which are virtually parallel systems to multilateral systems. However, this increasing network of regionalism is questioning global coherence as well. The concurring obligations of states complicate governance, especially where political affairs of a country come into conflict with treaty duties. Therefore, FTAs are integrative and divisive at the same time- FTAs bring some partners together, but at the cost of universal system such as the WTO.

### **Equity issues and Criticisms**

The critics caution that FTAs can cause inequalities between the rich and poor countries. Stiglitz (2017) argues that in many instances trade liberalization favors the owners of capitals over the workers. The labour market has been overshadowed by displacement due to the migration of industries to other emerging cheap labour rich regions. There is also elevated environmental concerns due to the presence of heightened production and transport leading to pollution and depletion of resources. According to Rimer (2024), not all agreements provide sufficient environmental or social protection, which leads to disproportionate results. Moreover, issues of sovereignty arise when countries lose their autonomy in making policies because of the binding trade commitments. These criticisms illustrate the difficult trade-off between growth and justice that contemporary FTAs have to work around. The allocation of the benefits of trade fairly is an issue that is still present in the economic policy of the modern world.

### **Mega-Regional Debates**

The focus has moved towards mega-regional trade agreements among continents over the last few years. Trans-Pacific Partnership (CPTPP) is a set of relational agreements between developed and developing economies on both sides of the Pacific. The Regional Comprehensive Economic Partnership (RCEP) involves Asian powers and lesser members of the ASEAN which constitutes almost a third of the world GDP. In the meantime, North American trade relations have been restructured with the United States- Mexico-Canada Agreement (USMCA). As noted by Rimmer, these agreements are redefining trade regulations in the world, particularly with the weakening of the influence of the WTO (Rimmer 2024). Nonetheless, they produce an overlapping and fragmenting effect, with countries becoming members of separate blocs having separate rules. Vlados (2024) warns that the overlapping of various mega-regionals may erode the integrity of the global, substituting multilateralism with competitive regionalism. These discussions point to the evolving nature in which FTAs are becoming a defining factor on market access.

### **Research Gap and Contribution.**

Although enormous research has been done on the efficiency of trade, very little is focused on FTAs as the mode of governance. The majority of the studies are evaluating the trade creation or GDP growth without accounting the institutional design and enforcement of rules. The study is aimed at filling that gap by integrating economic, political and institutional views. It reevaluates FTAs as the engine of trade as well as the scaffolding of today global governance. This study based on secondary evidence pooling on various agreements aids in comprehending the control, stabilization and remaking the world economy through FTAs. Table 1 below summarizes key features of major agreements discussed.

**Table 2**

*Key features of major agreements*

Treaty	Scope and Focus	Members	Key Governance Mechanisms	Economic Coverage
CPTPP	Trade in goods, services, digital economy, IP	11 countries (Japan, Canada, Australia, Mexico, etc.)	Dispute resolution, environmental standards, digital trade rules	13.5% of global economy
RCEP	Tariffs, rules of origin, investment, cooperation	15 members (China, Japan, ASEAN, Australia, NZ)	Gradual liberalisation, flexible dispute processes	30% of global GDP
USMCA	Goods, digital trade, labour and environment	United States, Mexico, Canada	Strict labour clauses, digital protection, enforcement panels	28% of global GDP

Each framework contributes uniquely to shaping global trade and governance norms.

## RESULTS

Using the developed thematic framework presented in Figure 1, the analysis examines the findings in three interconnected areas, which include economic, political, and governance. Both themes bring out different but similar contributions of FTAs to international trade systems.

### Economic Dimension

Literature evidence has always indicated that FTAs promote trade growth and effectiveness. They eliminate tariffs, lower prices and enhance flows of investment among the member countries (Hersi et al., 2025). It is believed that the developed economies are better off in the process of trade liberalization whereas emerging markets have to go through slower periods of adjustment (Raczkowski, 2025). As an example, the CPTPP is more efficient in integration with the provision of digital trade and investment, in contrast to RCEP that aims at incremental tariff cuts. All these are contributing to the productivity of cross-border and supply-chain efficiency. As Table 3 demonstrates, the economic gains are common, but, still, there are unequal distributions between developed and developing members.

**Table 3**

*Summary of Economic Impacts Across FTAs*

Agreement	Positive Outcomes	Challenges
CPTPP	Market expansion, innovation gains	Compliance costs
RCEP	Trade creation, regional cooperation	Unequal benefits
USMCA	High labor standards, stronger IP rules	Regulatory complexity

### Political Dimension

FTAs can be discussed as a political tool that reinforces diplomatic relationships and increases bargaining (Rodrik, 2024). They enable countries to establish new relationships, encourage stability in the region and shape policy conformity. Political power of FTAs has a tendency to go beyond trade, influencing foreign policies and foreign policy (Vlados, 2024).

**Figure 1**

*Political and Diplomatic Channels of Influence*



**Source:** Author's synthesis.

This figure demonstrates that FTAs start a chain reaction. First, there are trade agreements. Then, countries work together on rules. Finally, they agree diplomatically. Figure 3 shows how economic partnerships evolve into political cooperation.

### **Governance Dimension**

The findings about governance indicate that FTAs are becoming rule-making platforms. They either add to or even replace the WTO. These agreements develop legal systems for dispute resolution, investment protection, and intellectual property (Rimmer, 2024). A comparison of the governance sections in CPTPP, RCEP, and USMCA is provided in table 1 above. This shows how these agreements institutionalize international trade rules.

### **Equity and Sustainability**

The issue of fairness is still there, and smaller economies often have to deal with the pressure of adjustments and social costs (Stiglitz, 2017). Labour and environmental protections are getting better, but things are still not equal. This highlights the need for broader structures that share benefits more fairly.

### **Cross-Case Synthesis and Summary**

When comparing the three treaties, CPTPP and USMCA are more aligned in their regulatory aspects. Meanwhile, RCEP focuses on market access through gradual reforms, which is interesting. Overall, FTAs serve as the backbone of international integration. They help maintain trade governance against rising protectionist sentiments.

### **DISCUSSION**

The Free trade agreements is really bigger than the real means of enhancing exports. The system and rules of international business are also decided by this governance system. So, this free trade agreements decide which nations will trade and compete in markets. These Free trade agreement sometimes controls regulatory body such as World trade organization.

This data backs up ideas in institutional or political economy. It suggests that trade outcomes aren't just about markets, but also about institutions (Lashkaripour & Lugovskyy, 2023; Raczkowski, 2025). Now, free trade agreements (FTAs) kind of formalize cooperation by using common rules and norms. This supports the idea that governance is as important as liberalization. Plus, FTAs show how trade agreements balance national interests and international interdependence.

A manager should really rethink how to set up supply chains within regional trade groups. Businesses expecting changes in rules or tariffs might end up with stronger production networks. Including smart planning in market strategies will help those businesses adjust to shifts in global trade.

So, thinking about policy, there are a few things to consider. First off, new trade deals need to tackle inequality and environmental issues. They should be more inclusive and sustainable. Also, making trade governance more open and fairer can be done by fixing how disputes are settled. Plus, it's important for FTAs and the WTO to work together better, so rules aren't all over the place. Lastly, helping smaller economies through capacity-building is key, so everyone can benefit equally.

So, even though these things came to light, there are still some limitations. The research only used secondary data, so changes inside companies couldn't be measured. Future studies should use numbers to study trade after Free Trade Agreements (FTAs). It would be great to see how different areas are doing, and even create a way to compare how agreements are managed. This kind of work could really help the policymakers and businesses figure out if these treaties are working well.

### **CONCLUSION**

This study explores how free trade agreements (FTAs) are changing as part of the international trade system. It looks at the economic, political, and governance sides, using analysis and information from other sources. The findings back up the idea that FTAs don't just boost trade; they also change how the world is governed. FTAs create stability, rules, and predictability in global markets. This also shapes how countries and businesses interact. This paper offers a new way of thinking and a practical approach to the study and showing how FTAs bring together economics and policy. But, for FTAs to truly succeed, they need to be inclusive and balanced. FTAs have become the foundation of modern trade. Hopefully, they will continue to strengthen, leading to more openness, fairness, and cooperation among different regions.

## REFERENCES

Cartwright, E., & Igudia, E. (2024). The case for mixed methods research: Embracing qualitative research to understand the (informal) economy. *Review of Development Economics*, 28(4), 1947-1970. <https://onlinelibrary.wiley.com/doi/pdf/10.1111%2Frode.13069>

Deroncele-Acosta, A., Gross-Tur, R., Bellido-Valdiviezo, O., & López-Mustelier, R. (2024). Qualitative Research From Grounded Theory to Build a Scientific Framework on the Researcher's Epistemic Competence. *International Journal of Qualitative Methods*, 23, 16094069241284218. <https://journals.sagepub.com/doi/pdf/10.1177/16094069241284218>

Hersi, A. A., Alasow, A. A., & Omar, M. M. (2025). Economic integration and trade performance: assessing the effectiveness of the East African Community as a trade bloc. *Cogent Economics & Finance*, 13(1), 2516712. <https://www.tandfonline.com/doi/pdf/10.1080/23322039.2025.2516712>

Lashkaripour, A., & Lugovskyy, V. (2023). Profits, scale economies, and the gains from trade and industrial policy. *American Economic Review*, 113(10), 2759-2808. <https://www.aeaweb.org/content/file?id=19393>

Mishrif, A., & Khan, A. (2024). Do free trade agreements facilitate FDI spillover effects on domestic firms? Empirical evidence from Oman. *Economies*, 12(6), 141. <https://doi.org/10.3390/economies12060141>

Raczkowski, K. (2025). International economic policy—theory and practice. In *International Economic Policy for the Polycrisis*. Taylor & Francis. [https://library.oapen.org/bitstream/handle/20.500.12657/93286/9781003487913\\_10.4324\\_9781003487913-1.pdf?sequence=1](https://library.oapen.org/bitstream/handle/20.500.12657/93286/9781003487913_10.4324_9781003487913-1.pdf?sequence=1)

Rimmer, M. (2024). The Regional Comprehensive Economic Partnership: intellectual property and trade in the Asia-Pacific. *Asia Pacific Law Review*, 32(2), 392-435. <https://www.tandfonline.com/doi/pdf/10.1080/10192557.2024.2349387>

Rodrik, D. (2024). How to smooth US-China economic relations for the benefit of the global economy: A light model of global economic governance. *Journal of Government and Economics*, 13, 100097. <https://doi.org/10.1016/j.jge.2024.100097>

Stiglitz, J. E. (2017). *Globalization and its discontents revisited: Anti-globalization in the era of Trump*. WW Norton & Company. <https://www.anthrocvone.org/development/wp-content/uploads/2015/07/Stiglitz-Freedom-to-Choose.pdf>

Vlados, C. M. (2024). The Current Evolution of International Political Economy: Exploring the New Theoretical Divide between New Globalization and Anti-Globalization. *Societies*, 14(8), 135. <https://doi.org/10.3390/soc14080135>

Todo el contenido de **LATAM Revista Latinoamericana de Ciencias Sociales y Humanidades**, publicados en este sitio está disponibles bajo Licencia [Creative Commons](https://creativecommons.org/licenses/by/4.0/) 