

Outline

- The Basics – RTAs, FTAs, PTAs, CEPA, Customs Union?
 - Jargon Busters: Positive List/Negative List, Rules of Origin, MRAs...
- WTO Framework: WTO Rules & Disciplines and RTAs
- Emerging Trends
 - India and RTAs
 - Coherence in the bilateral, regional and multilateral frameworks
- Summing up

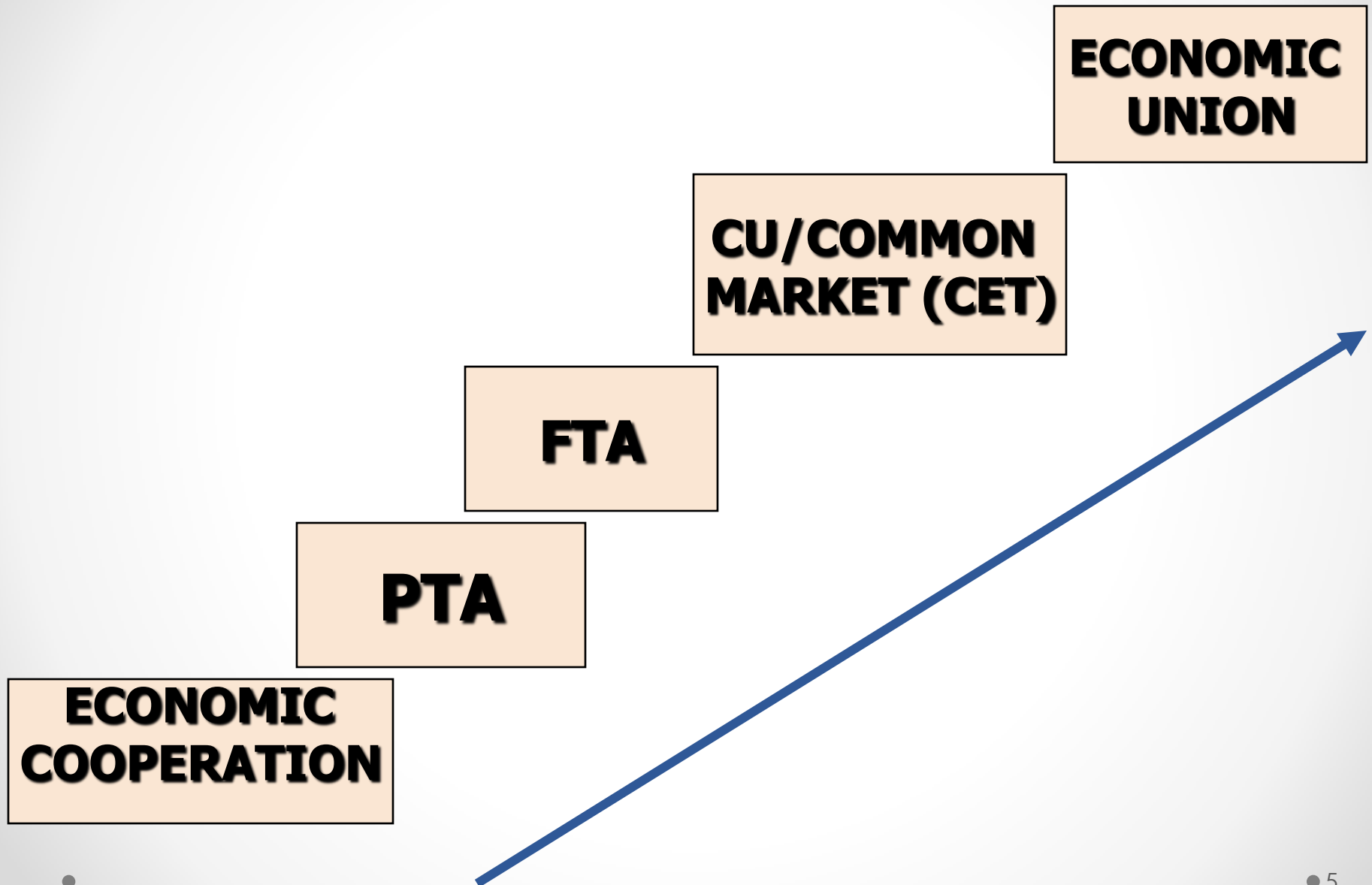
The Basics

- What are RTAs?
 - A Regional Trade Agreement (RTA) could be defined as a preferential arrangement under which the signatories trade with each other on a more lenient (or free trade - 'zero duty') basis than the treatment accorded to the non-RTA (excluded) parties.
 - The actors involved or parties to an agreement
 - regional or cross-regional
 - Developed or Developing/LDCs countries or both
 - Volume or value of trade between trading partners
 - Concepts of "substantially all trade", trade creation/diversion
 - Depth & Scope of Agreements (subjects covered, carve outs)₃

The Basics

- **PTA:** Grant of partial preferences on a reciprocal basis (Preferential Trade Area) or unilateral concessions (Preferential Trade Arrangements). No requirement on coverage of substantially all trade (SAT) or defined timeframe to eliminate tariffs. Concessions may be enhanced/deepened through subsequent negotiations.
- **FTA:** Elimination of all (or almost all) tariffs (and NTBs) within a fixed timeframe. Coverage of SAT between parties of the FTA. Non-members excluded from concessions.
- **Customs Union:** Setting up of a common external tariff (CET) or common trade regulatory barriers vis-à-vis non-members.
- **Common Market:** Moving beyond free exchange of goods & services . Deeper integration with free movement of factors of production e.g. labour and capital involved.
- **Economic Union:** Moving beyond the Common Market. Involves harmonizing national economic policies - e.g. taxes, domestic regulations, common currency (monetary union).

Steps in Trade Integration



PTA Negotiations

- Limited items and limited tariff concessions
- Negotiations over several Rounds
- **Positive list approach** (with “requests & offers”)
 - **Request:** to give preferences on items of export interest
 - **Offers:** items & Margin of Preference (MoP)
 - **Negotiations** held on expanding the items & MoP
- Reciprocity or non-reciprocity (unilateral preferences)

FTA Negotiations

- Negative/Sensitive/Exclusion List -SAT
- Modalities & Timeframes
- Tracks of liberalisation
- Trade/Tariff line coverage
- Offer
- Negotiations – Items & Liberalisation Programme

Comprehensive Agreements

- CECA/CEPAs: Goods, services + +
- IPRs, investment, standards, Government Procurement
- Trade Facilitation & Customs Cooperation
- Mutual Recognition Agreements (MRAs - Goods/Services)
- Other Areas of cooperation –Technology, R&D etc.
- Package – Single Undertaking or in staging.

RTAs – other elements

- Trade remedies: Anti Dumping, Safeguards
- Rules of Origin
- Import licenses
- Export taxes/licenses

Rules of Origin

- **Criteria:** (1) Wholly Obtained (2) Value-added method, (3) Change in Tariff Heading, (4) specified processing or manufacturing operation
- **Tool** to ensure that tariff preference only extended to a partner country and third country exports do not get entry through transshipment or carrying out minimal operation in a RTA member country (called trade deflection)
- **Growing importance** with newer RTAs
- **Growing complexity** (EU's agreement with Poland has 81 pgs in RoO section, NAFTA's RoO - 200 pgs)

WTO Rules & RTAs

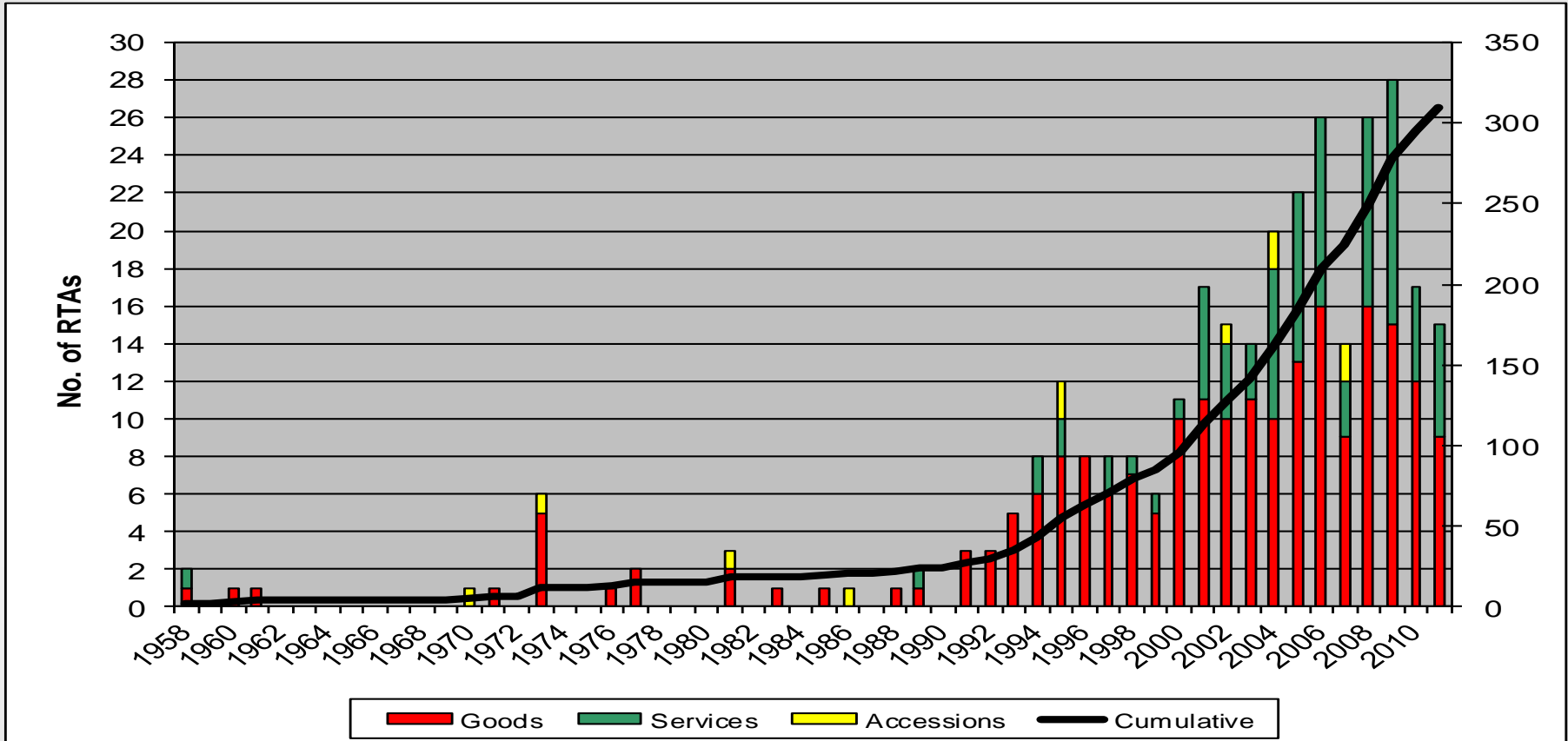
- GATT/WTO Principle of Non-Discrimination: MFN Treatment
- But there are exceptions, incl. for RTAs in the GATT & GATS
- Relevant GATT/WTO Provisions:
 - Article XXIV of GATT 1994 + WTO Understanding on the Interpretation of Article XXIV of GATT 1994
 - Enabling Clause (1979) – Additional flexibility (S&D Treatment)
 - Article V of GATS (Economic Integration)
- Doha Negotiations: RTA Transparency (General Council's Decision of 12/2006)

Impasse in the Doha Round →
Proliferation of FTA's/PTA's?
...

Proliferation of FTA/PTA's

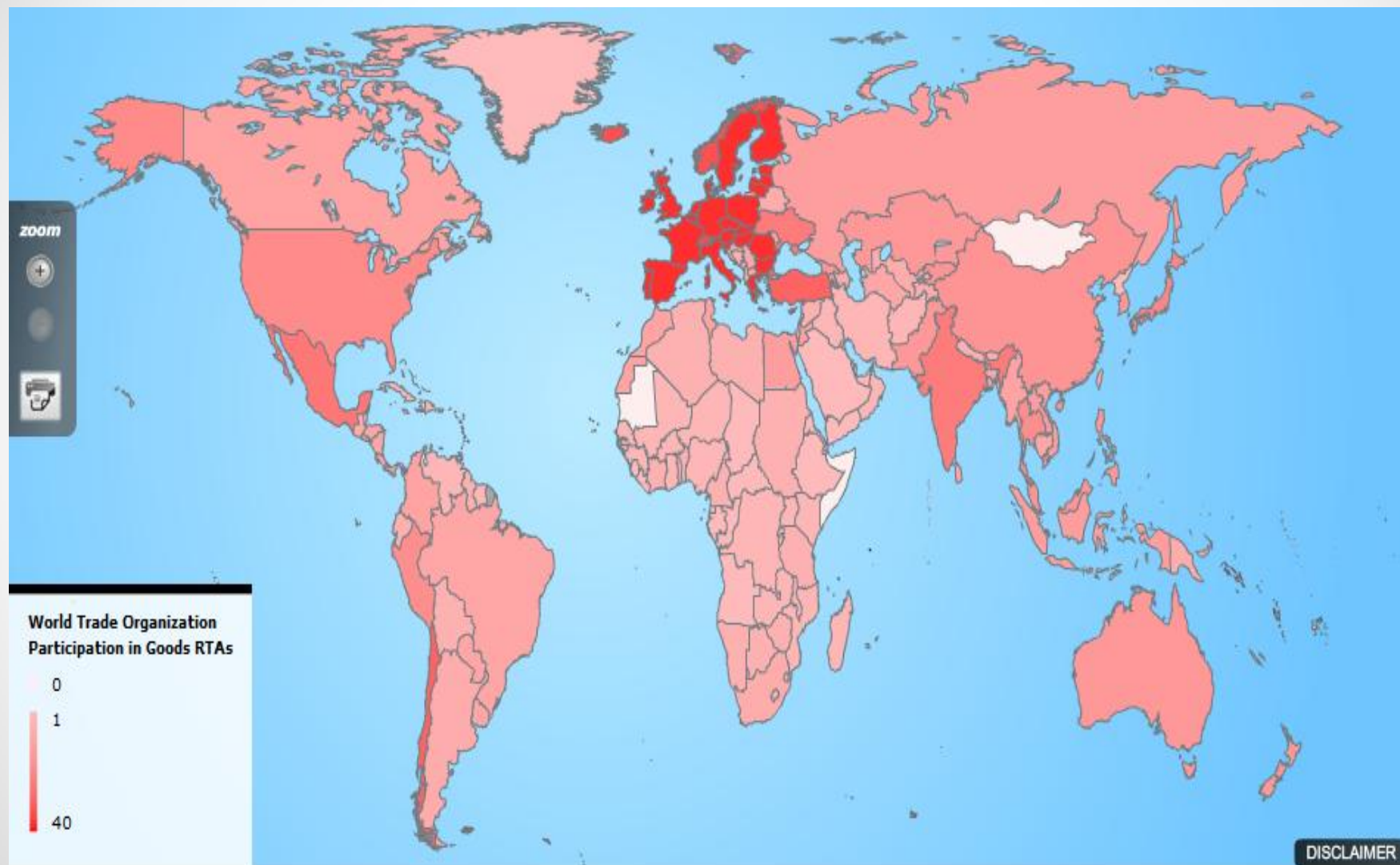
- Four fold jump in RTA/PTAs: Abt. 70 in force in 1990; 300+ by 2010
 - Intra PTA trade as % of world merchandise trade doubled (18% - 1990; 35% - 2010)
- Geographical distribution
 - Global rush to sign up (don't want to be left out)
 - RTAs or PTAs (regional or cross-regional)
- Actors/Parties to RTAs
 - At same and/or different levels of development

RTAs in force: 1958 - 2011

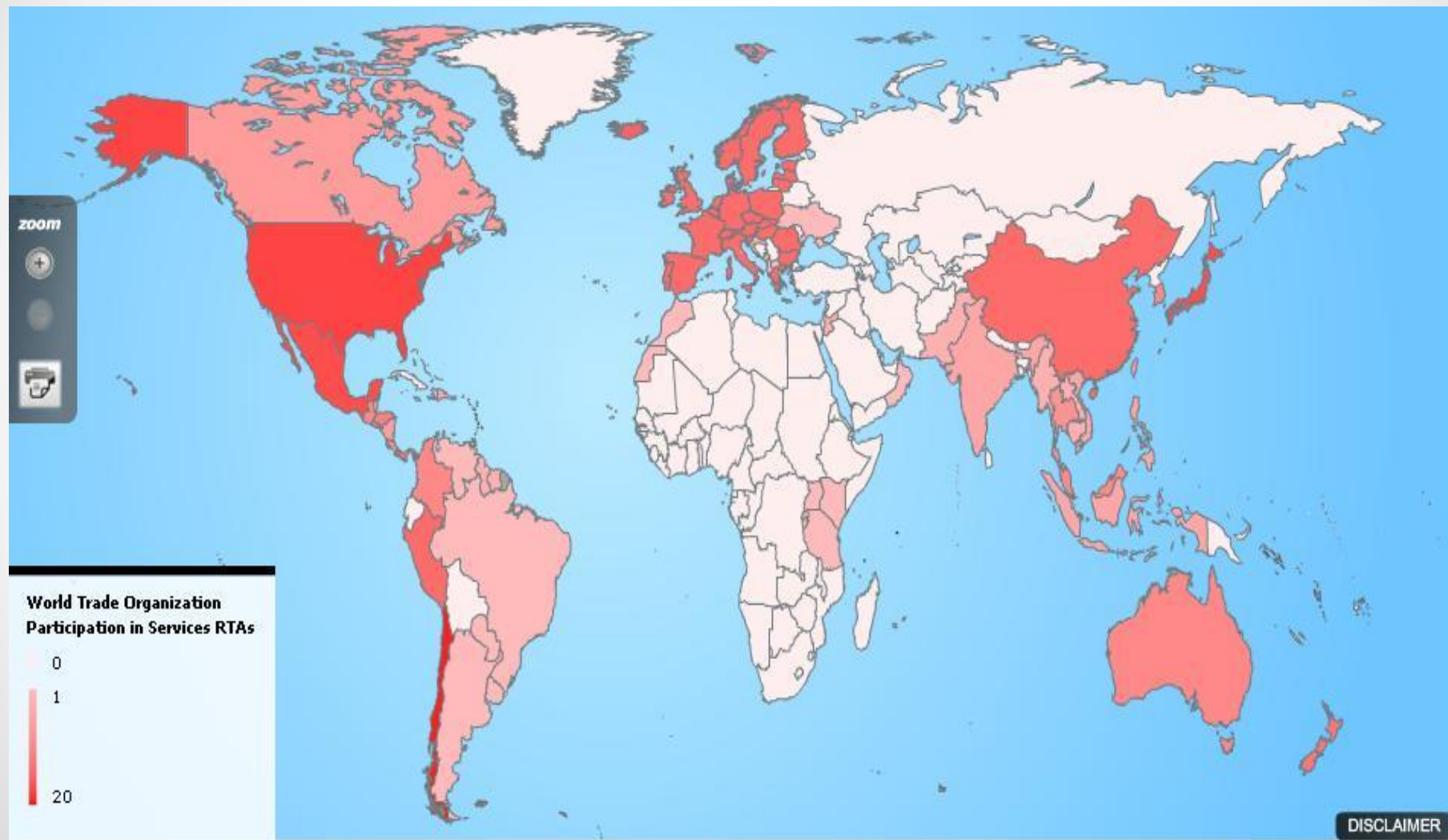


- Over 300 RTA notifications received by the GATT/WTO Secretariat
- Approx 100 RTAs in the pipeline (negotiations ongoing or not yet in force)
- Number of RTAs in force but not yet notified to the WTO?????

Goods RTAs (notified & in force till end 2012)

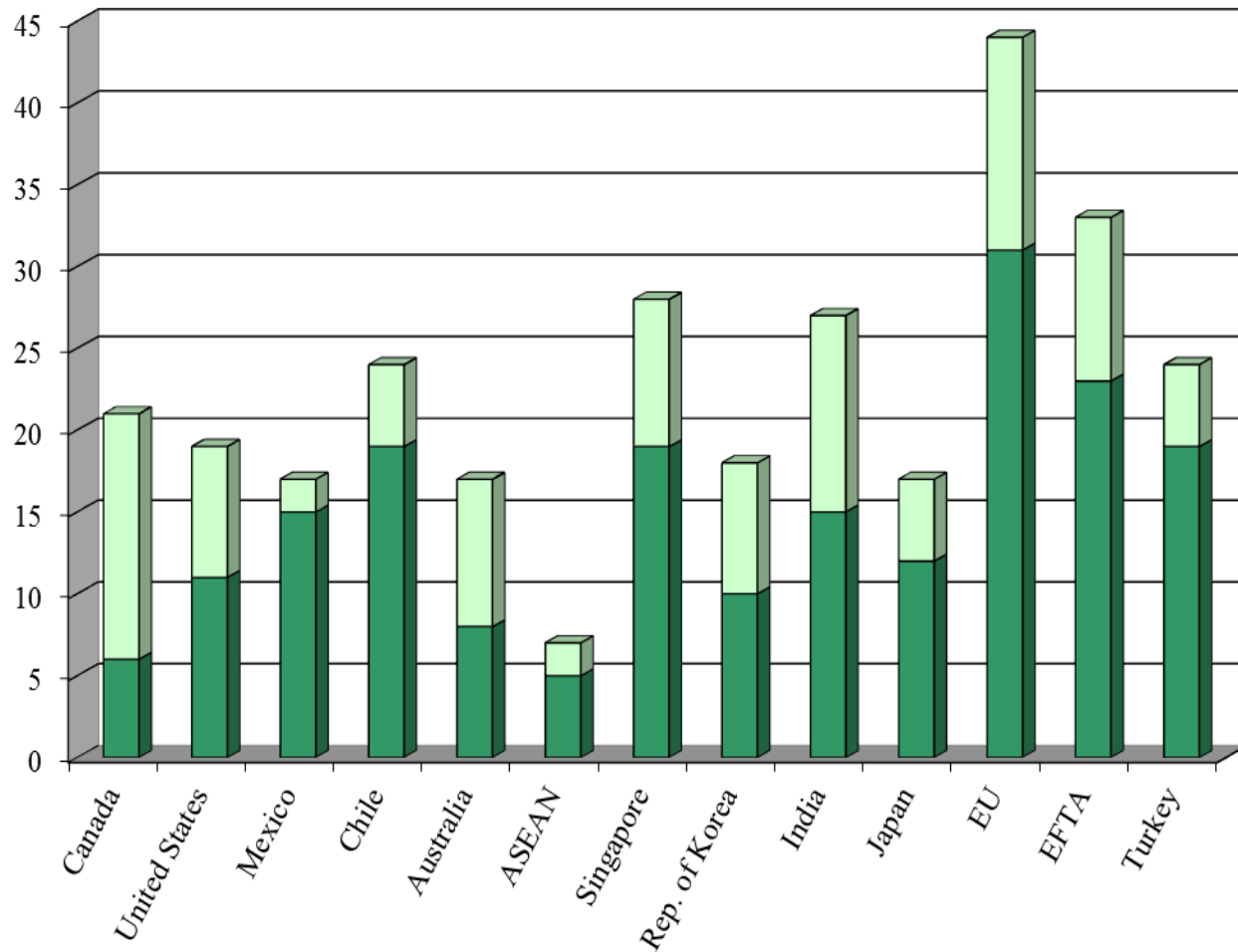


Participation in Services RTAs (notified and in force till end 2012)



Source: WTO RTA Database, <http://rtais.wto.org>

Who are the active ones..?



□ Forecast (RTAs currently under negotiation / signed)

■ RTAs notified and in force as of October 2011

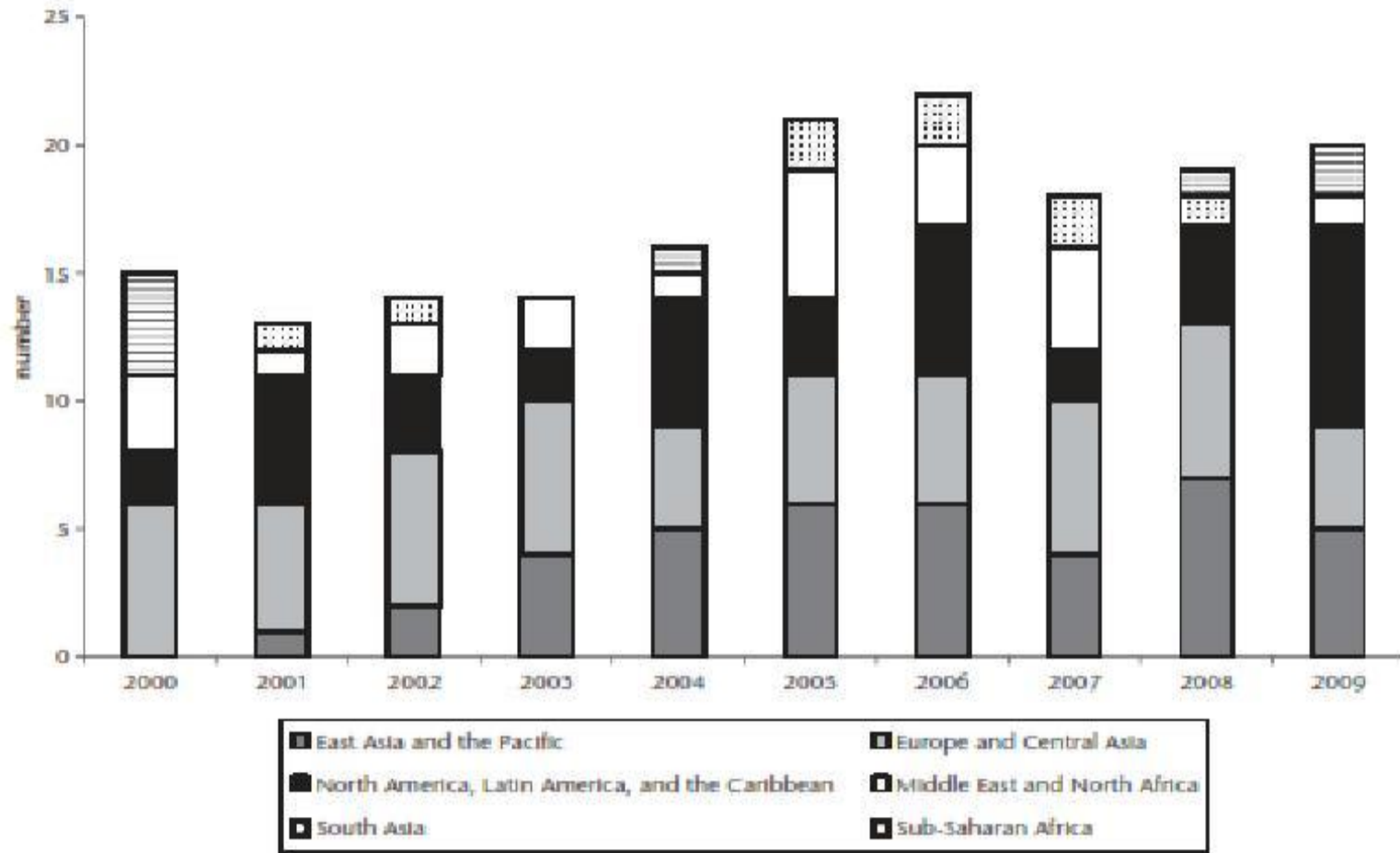
Some of India's FTA/PTAs (concluded)

- SAFTA
- India - Sri Lanka FTA
- India – Singapore CECA
- India – Malaysia CECA
- India – ASEAN FTA (Goods)
- India – Japan CEPA
- India – South Korea CEPA
- India – MERCOSUR PTA
- India – Chile PTA

Some of India's FTA/PTAs (Ongoing neg.)

- Regional Comprehensive Economic Partnership (RCEP)
- India-EU Bilateral Trade and Investment Agreement
- India – EFTA Bilateral Trade and Investment Agreement
- India-ASEAN Free Trade Agreement (services)
- India-Sri Lanka Comprehensive Economic Partnership Agreement
- India-Thailand Comprehensive Economic Cooperation Agreement
- BIMSTEC Free Trade Agreement
- India-GCC Free Trade Agreement
- India-SACU Preferential Trade Agreement
- Expansion of India-MERCOSUR Preferential Trade Agreement
- India-New Zealand CECA
- India-Canada Comprehensive Economic Partnership Agreement
- India-Australia Comprehensive Economic Cooperation Agreement
- India-Indonesia Comprehensive Economic Cooperation Agreement

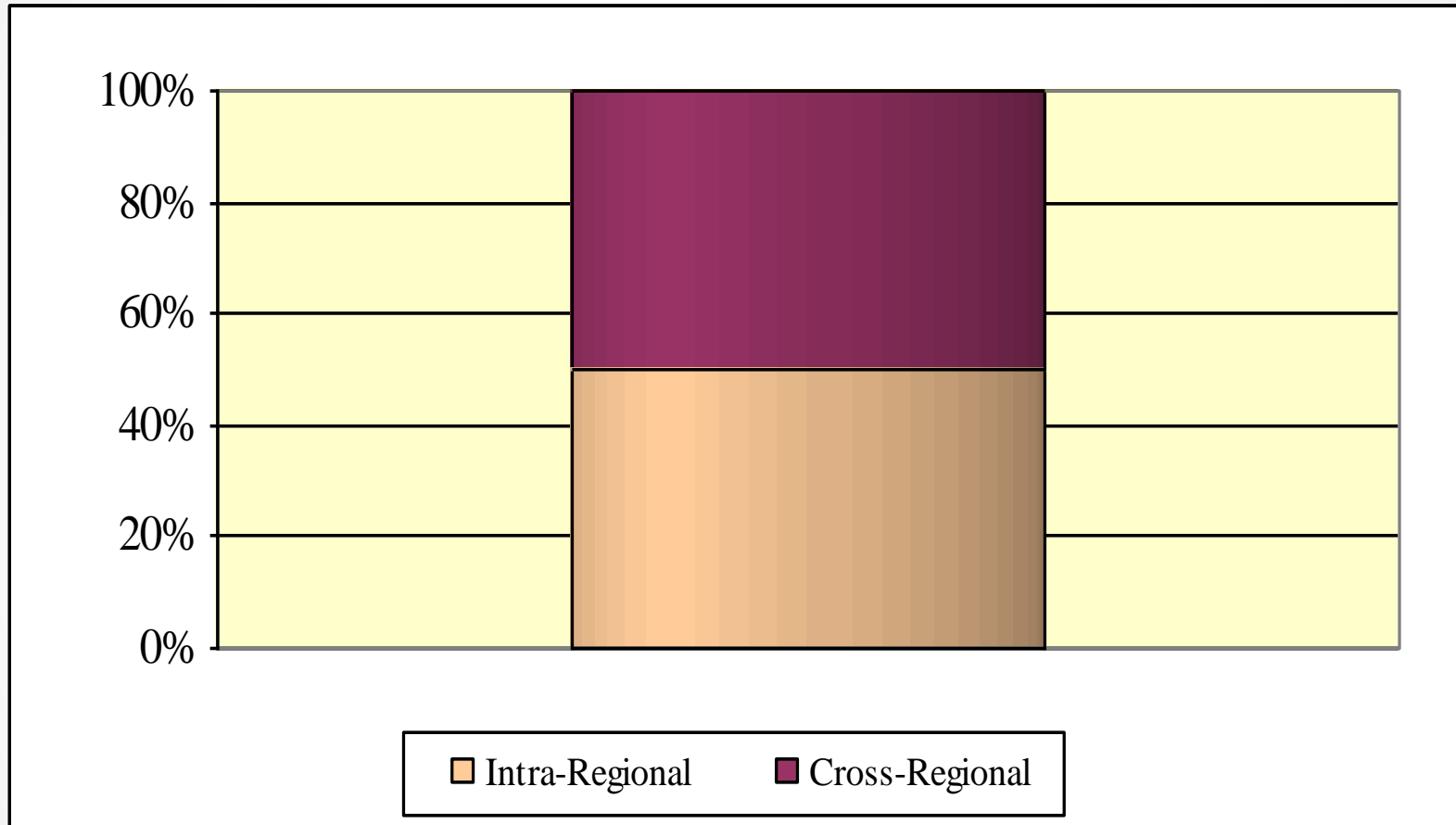
RTAs by Region (2000 – 2010)



Source: WTO Secretariat.

Note: PTA, preferential trade agreement. An effort was made to classify each PTA according to the regions of its individual parties and to avoid the use of the cross-regional category. A degree of double-counting therefore arises because, for example, an intraregional PTA is counted once, whereas a PTA involving two or more regions is counted once for each region.

RTAs or PTAs.....?



Move from regional to cross-regional: This is a relatively recent trend !!

The bulk of cross-regional agreements (85%) have entered into force since 1995

- > 90% of RTAs recently signed or under negotiation are cross-regional •

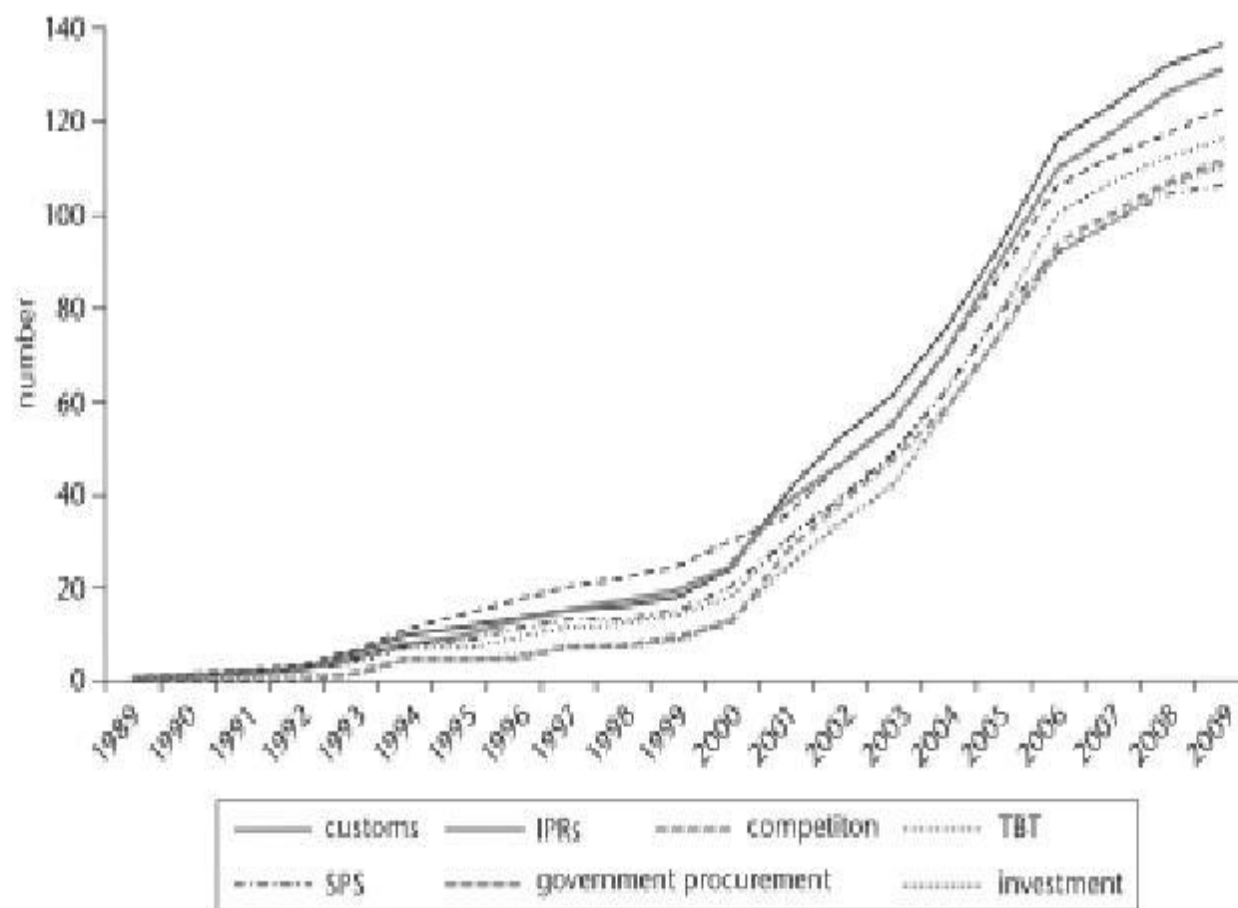
RTA/PTAs: choice of partner

	Developed only		Developed-Developing		Developing only		Total	
	Goods	Services	Goods	Services	Goods	Services	Goods	Services
1958-1964	2	1			1		3	1
1965-1969							0	0
1970-1974	5		1		2		8	0
1975-1979			2		1		3	0
1980-1984	2		1		1		4	0
1985-1989	1	1	1		2		4	1
1990-1994	7	1	3	1	7		17	2
1995-1999	20	1	7	1	8	5	35	7
2000-2003	3	1	20	7	19	6	42	14
2004-2007	7	4	20	17	22	11	49	32
2008-2010	3	1	21	13	21	14	45	28
2011-2013			5	4	4	2		
Total	50	10	81	43	88	38	219	91
	60		124		126		310	

Emerging Trends

- Scope and Coverage
 - From “Shallow” to “Deeper” Agreements
 - Goods and Services +++++
 - WTO+ and WTO-X
 - MA & Rules: bilateral, regional or multilateral approach?
 - Market access with RTAs: MFN duty and carve outs
 - 84% of world merchandise trade on MFN basis (2008)
 - 2% of global Ms eligible for preference margin > 10%
 - Preference utilization (info, RoO, other benefits?)
 - Mutual Recognition Agreements

RTAs/PTAs: Issues Covered



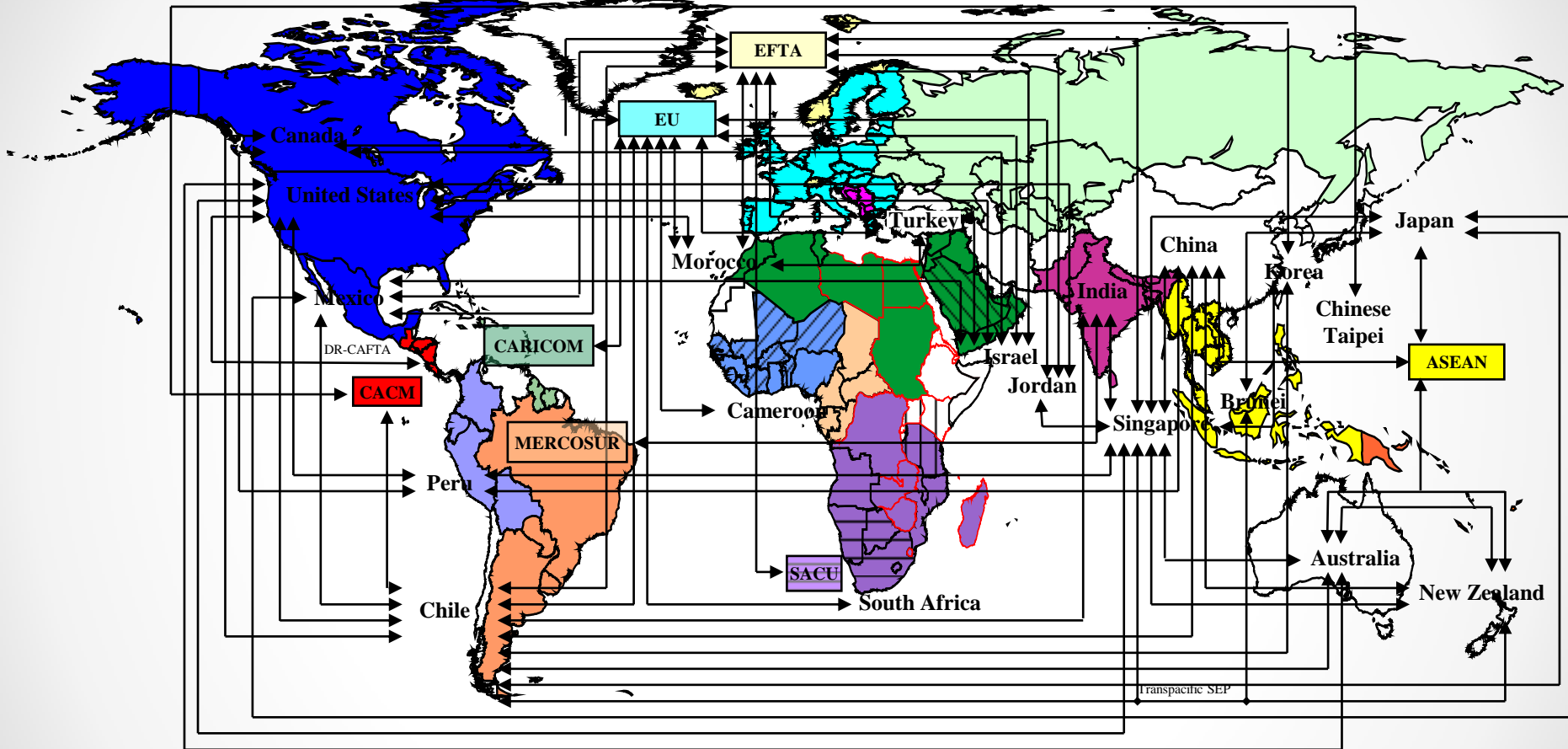
Source: WTO RTA database; World Bank Global Preferential Trade Agreements database; *Global Economic Prospects* (World Bank 2005); and additional observations based on Horn, Mavroidis, and Sapir 2010.

Note: IPRs, intellectual property rights; SPS, sanitary and phytosanitary; TBT, technical barriers to trade.

Emerging Trends

- Consolidation or Fragmentation?
 - Examples: EPA / EU enlargement / FTAA / TPP
 - Hub and Spokes
 - Harmonization and Carve Outs
 - Opportunities and Challenges
 - Coherence with the Multilateral Trading System
 - Building blocks or stumbling blocks
 - Trade creation or diversion
 - Is it really about market access?
 - Or is it just don't leave me out.....!!

Consolidation or Fragmentation....?



- | | | | | | | |
|-------|----------------|-------|-------|--------|------|-------|
| NAFTA | EUROPEAN UNION | EFTA | PAFTA | ECOWAS | EAC | SAFTA |
| CACM | CARICOM | CEFTA | GCC | CEMAC | SADC | ASEAN |
| CAN | MERCOSUR | CIS | WAEMU | COMESA | SACU | PICTA |

Summing up

- Proliferation of PTAs/RTAs
- 21st Century Agreements: Market Access +
- Building blocks or stumbling blocks...?
- Implications for the global trading system.

Any comments/questions?

Thank you for your kind attention!!!!

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