

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
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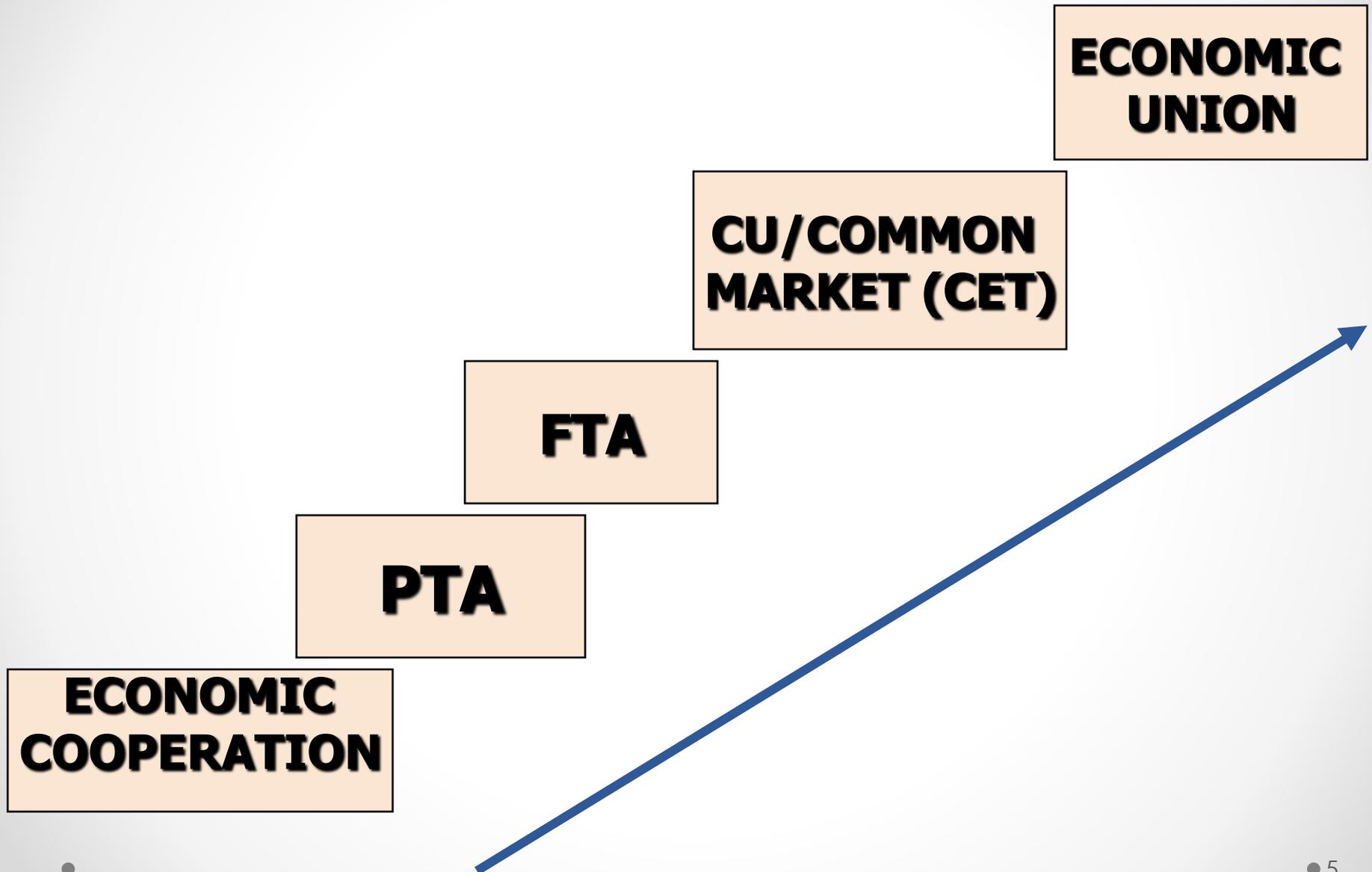
The Basics

- 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)

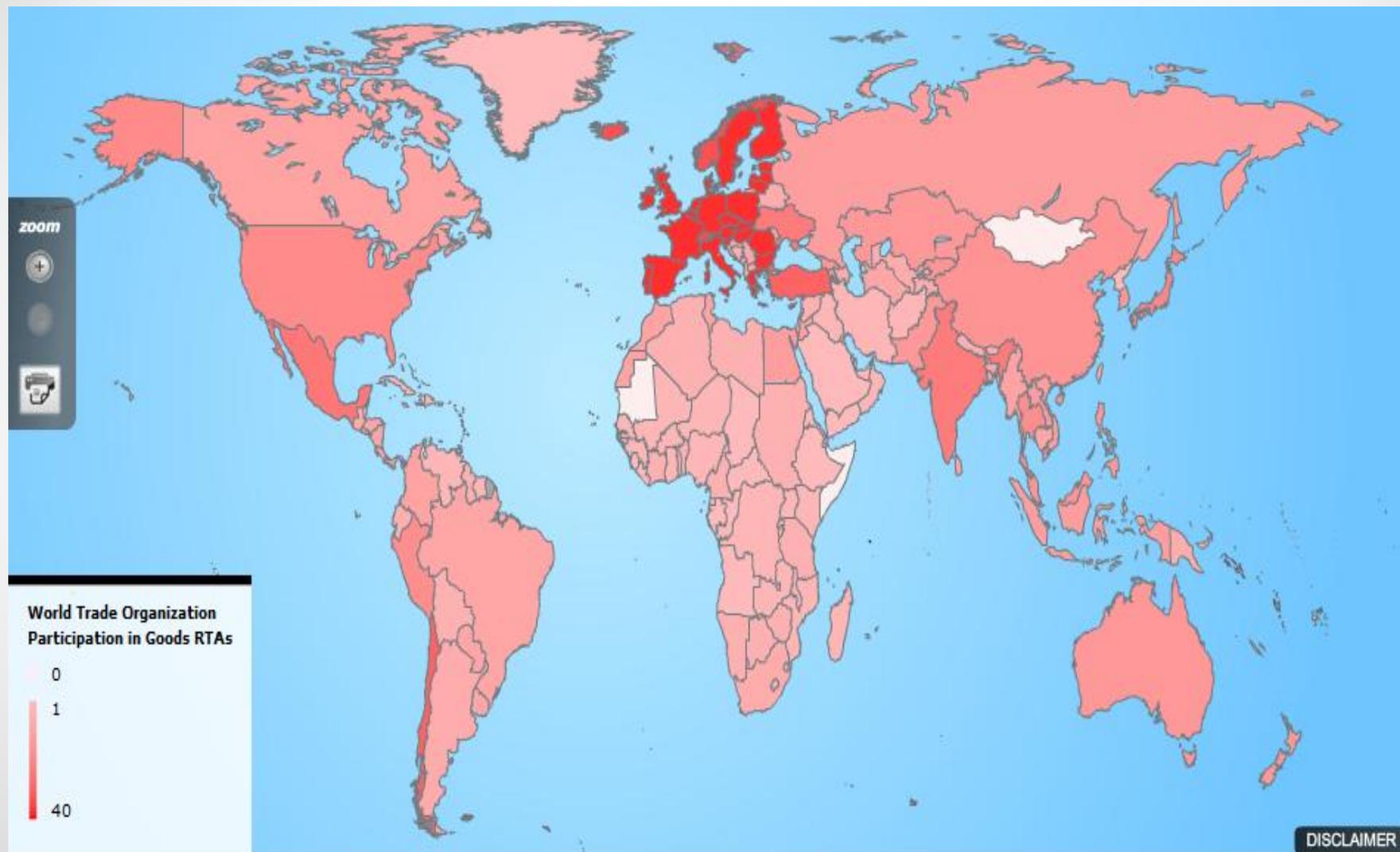
Impasse in the Doha Round →
Proliferation of FTA's/PTA's?
...

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

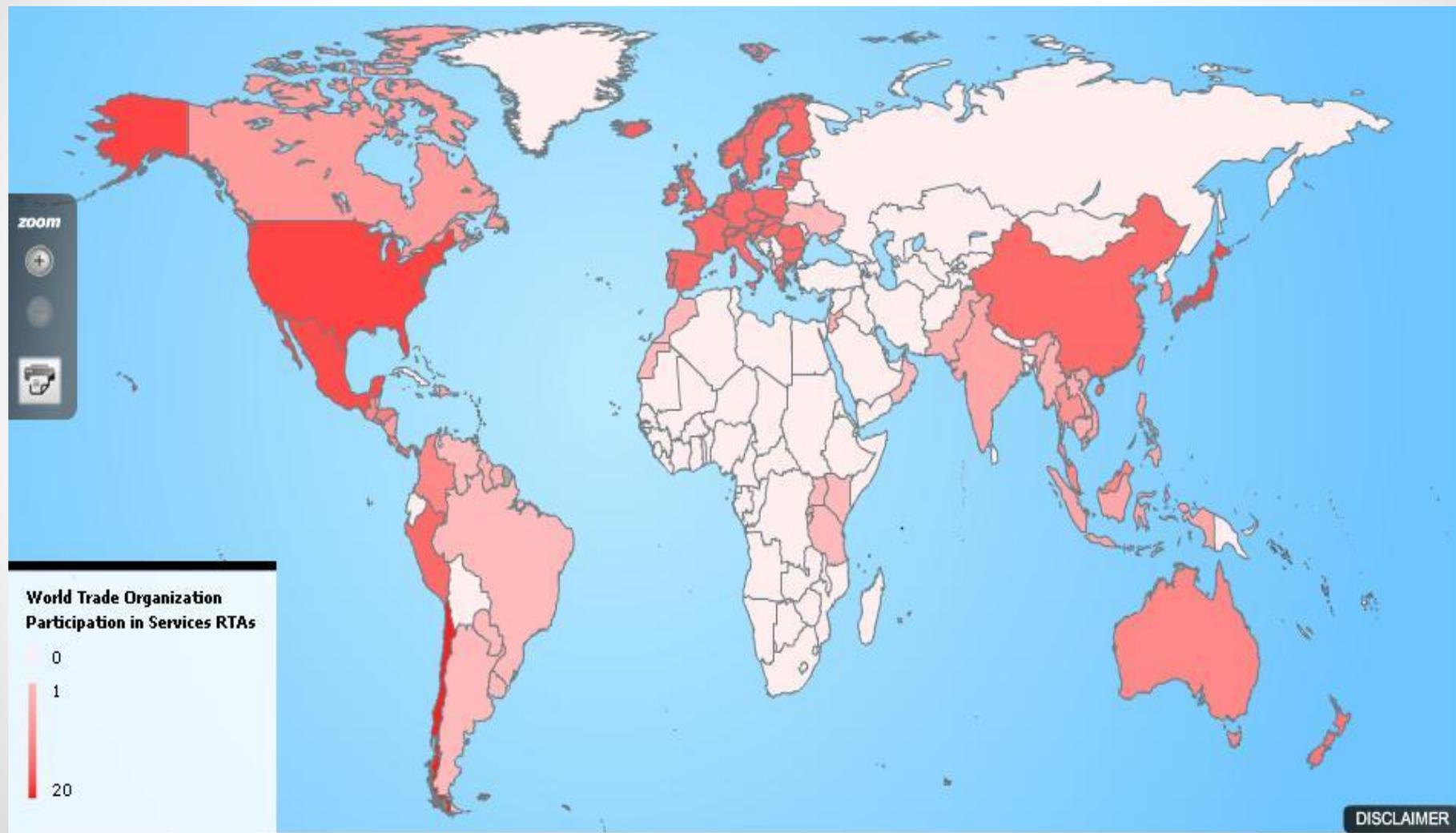


Goods RTAs (notified & in force till end 2012)



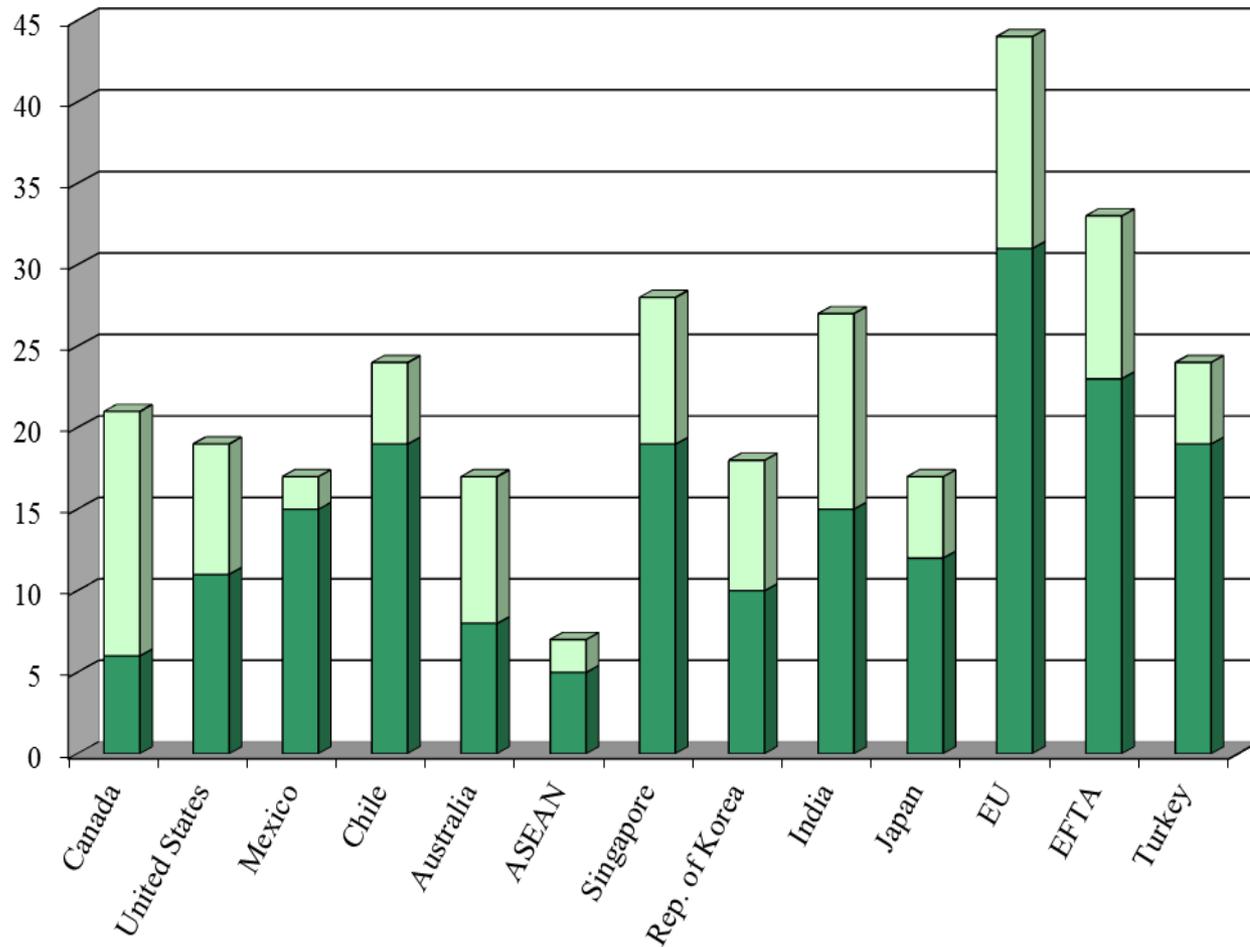
Source: WTO RTA Database, <http://rtais.wto.org>

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

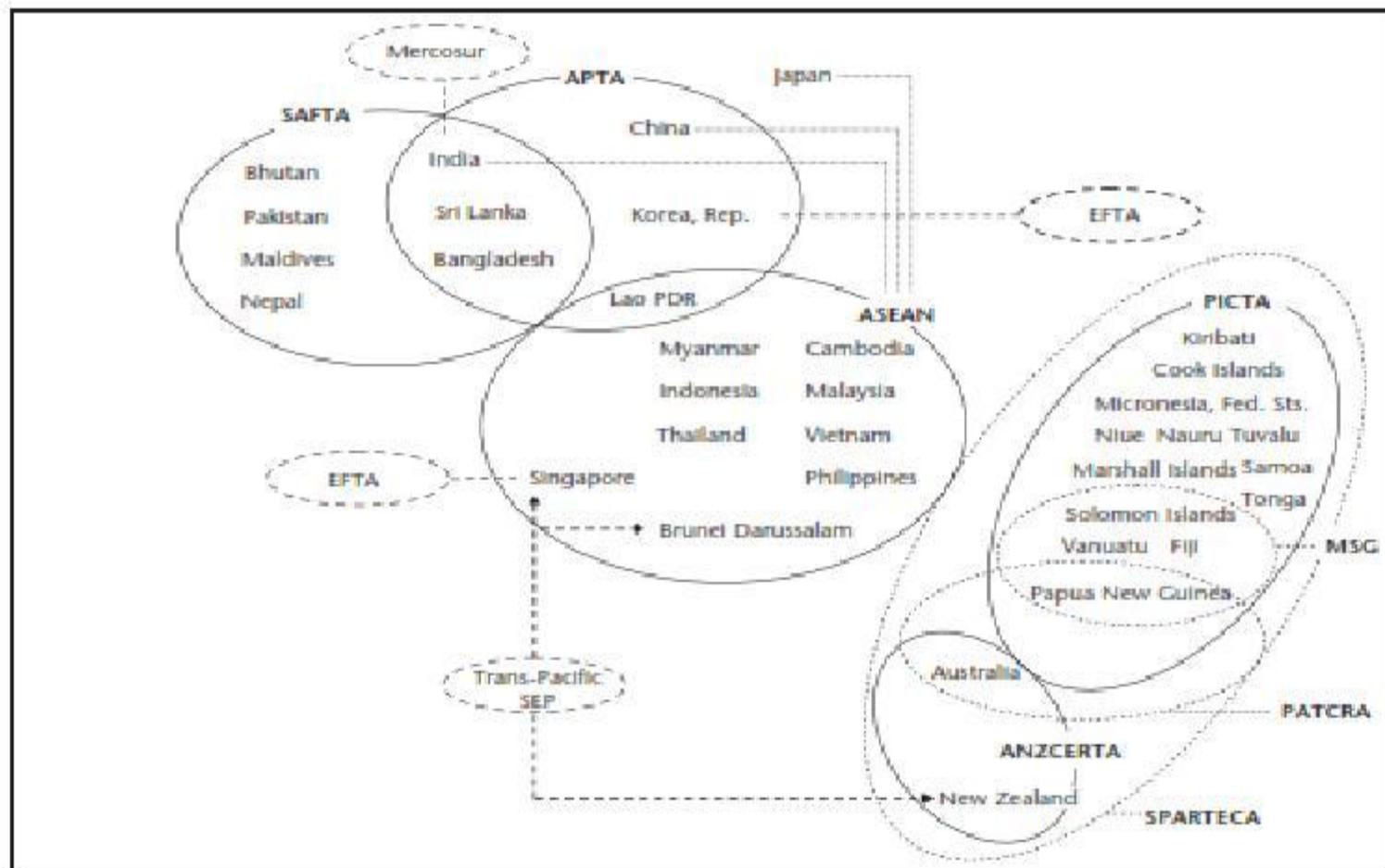
Some of India's FTA/PTAs (concluded)

- 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

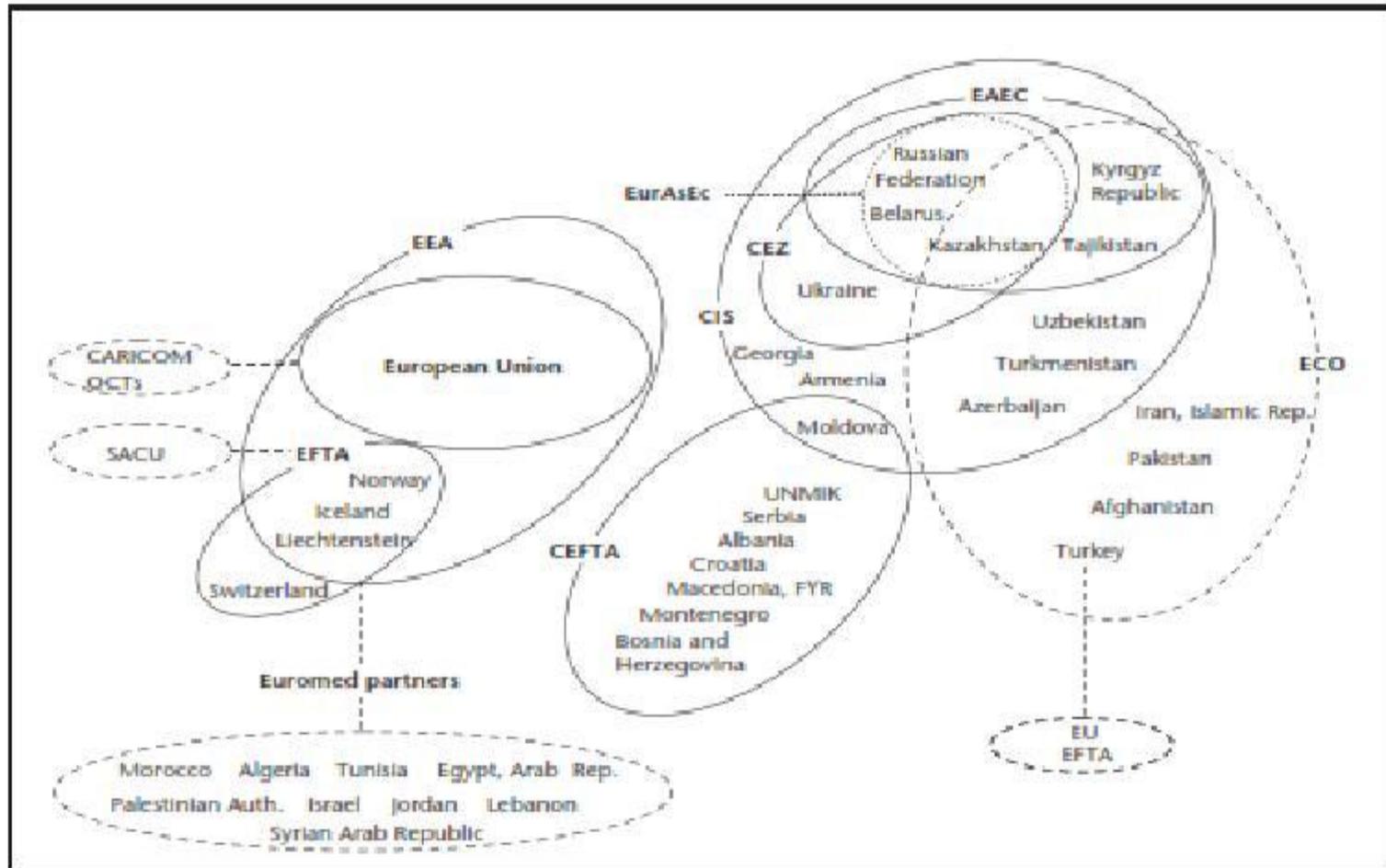
RTAs: Asia - Pacific



Source: WTO Secretariat.

Note: ANZCERTA, Australia-New Zealand Closer Economic Relations Trade Agreement; EFTA, European Free Trade Association; APTA, Asia-Pacific Trade Agreement; ASEAN, Association of Southeast Asian Nations; Mercosur, Southern Cone Common Market (Mercado Común del Sur); MSG, Melanesian Spearhead Group; PATCRA, Papua New Guinea-Australia Trade and Commercial Relations Agreement; PICTA, Pacific Island Countries Trade Agreement; SAFTA, South Asian Free Trade Arrangement; SPARTECA, South Pacific Regional Trade and Economic Cooperation Agreement; Trans-Pacific SEP, Trans-Pacific Strategic Economic Partnership.

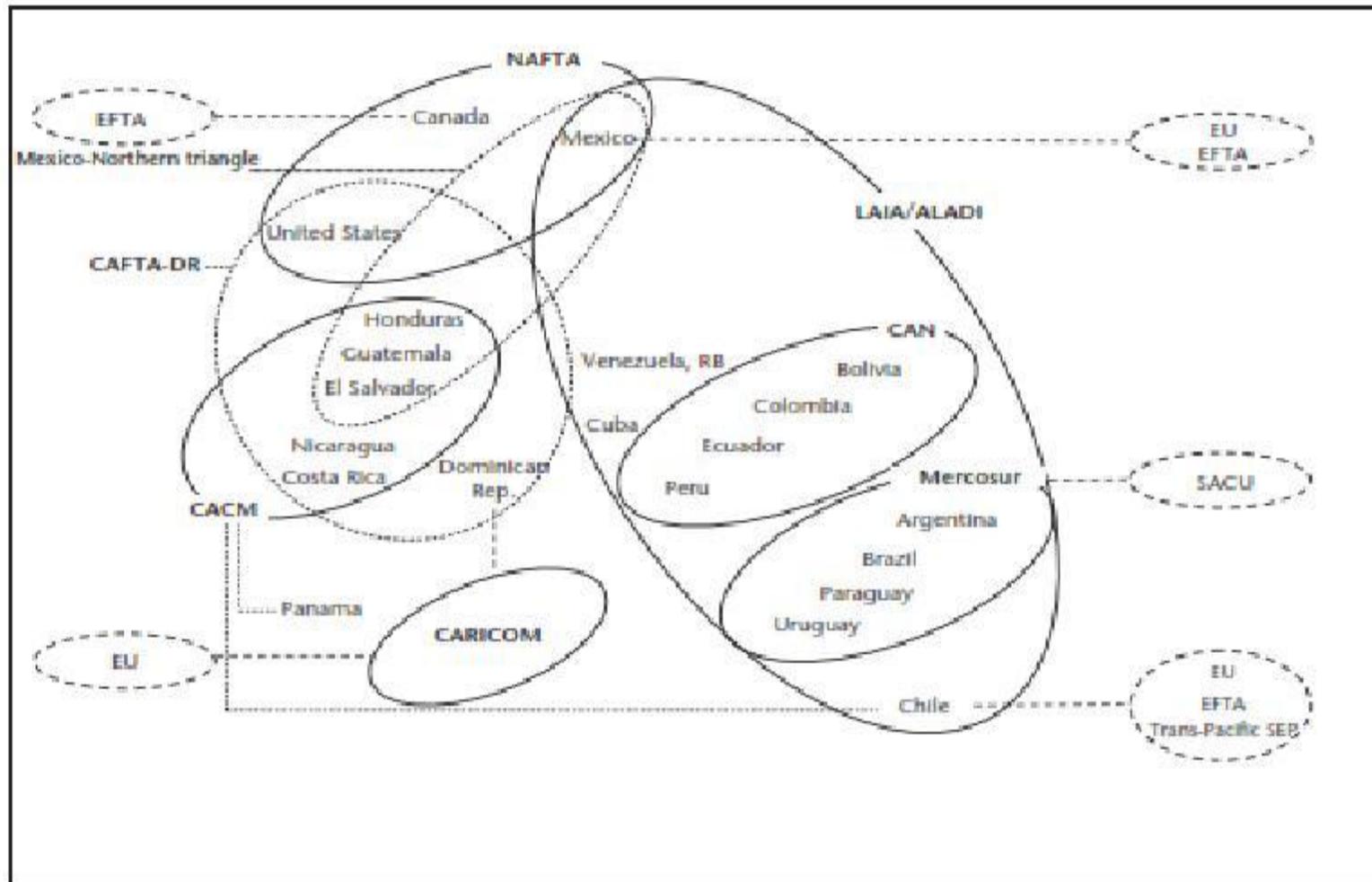
RTAs: Europe and Central Asia



Source: WTO Secretariat.

Note: CARICOM, Caribbean Community; CEFTA, Central European Free Trade Agreement; CEZ, Common Economic Zone; CIS, Commonwealth of Independent States; EAEC, Eurasian Economic Community; ECO, Economic Cooperation Organization; EEA, European Economic Area; EFTA, European Free Trade Association; EU, European Union; OCTs, Overseas Countries and Territories; SACU, Southern African Customs Union; UNMIK, United Nations Interim Administration Mission in Kosovo.

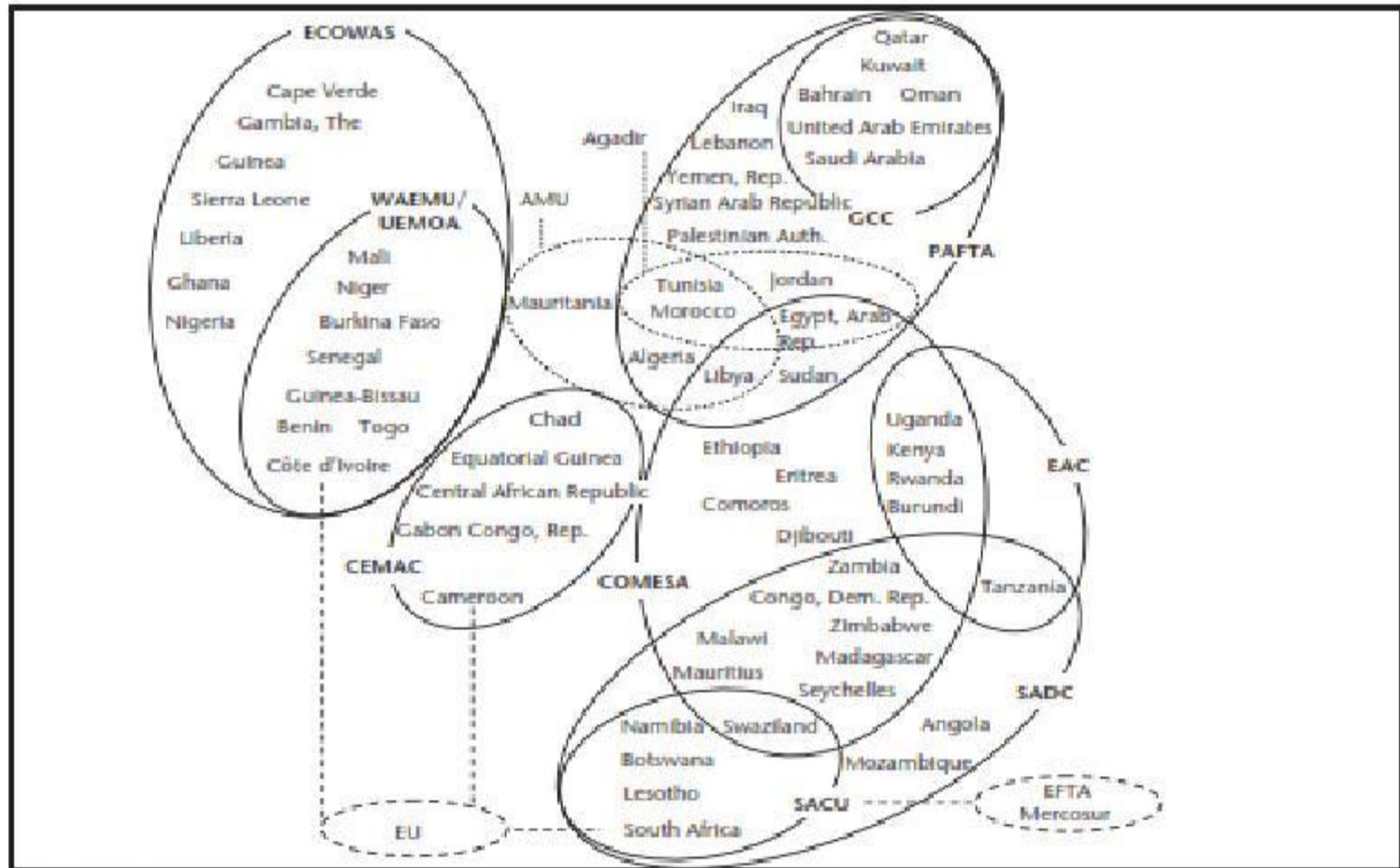
RTAs: Americas & Caribbean



Source: WTO Secretariat.

Note: CACM, Central American Common Market; CAFTA-DR, Dominican Republic–Central America Free Trade Agreement; CAN, Andean Community; CARICOM, Caribbean Community; EFTA, European Free Trade Association; EU, European Union; LAIA/ALADI, Latin American Integration Association/ (Asociación Latinoamericana de Integración); Mercosur, Southern Cone Common Market (Mercado Común del Sur); NAFTA, North American Free Trade Agreement; SACU, Southern African Customs Union; Trans-Pacific SEP, Trans-Pacific Strategic Economic Partnership.

RTAs: Africa and Middle East



Source: WTO Secretariat.

Note: AMU, Arab Maghreb Union; CEMAC, Economic and Monetary Community of Central Africa (Communauté Économique et Monétaire de l'Afrique Centrale); COMESA, Common Market for Eastern and Southern Africa; EAC, East African Community; ECOWAS, Economic Community of West African States; EFTA, European Free Trade Association; EU, European Union; GCC, Gulf Cooperation Council; Mercosur, Southern Cone Common Market; PAFTA, Pan-Arab Free Trade Area; SACU, Southern African Customs Union; SADC, Southern African Development Community; WAEMU/UEMOA, West African Economic and Monetary Union/Union Économique et Monétaire Ouest-Africaine.

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!!!!

Prof Sajal Mathur
Centre for WTO Studies
Indian Institute of Foreign Trade
New Delhi
Tel/Fax: +91-11-26512151
Email: smathur@iift.ac.in