



## Emerging Trends in Mega RTAs

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# Outline

- The Concept – What are Mega RTAs?
- Some Examples of Mega RTAs
- Salient Features..... good, bad or ugly?
- Emerging Trends and Challenges: Coherence in the bilateral, regional and multilateral frameworks
- Summing up
-

# The Concept: Mega RTAs

- What are “mega” RTAs?
  - The actors involved or Number of parties to an agreement
  - Volume or value of trade between trading partners
  - Depth and Scope of the RTA (subjects covered, carve outs)
- Motivation and main drivers?
  - Regional integration or other motivations (RTAs or PTAs)?
  - Intrl. trade, business, economics or politics the main driver?
  - Substance or hype?

# Examples of Mega RTAs?

- Trans Pacific Partnership (TPP) Agreement
- EPAs (EU – ACP: Post-Cotonou Arrangements)
- ASEAN plus 3 (...and more → plus 6); ASEAN - India
- India - EU Bilateral Trade and Investment Agreement
- Future PTAs between EU – US or US – China ....?

# TPP: Fact Sheet

- **Evolution:** Builds on the P4 – Closer Economic Partnership between Brunei, Chile, New Zealand and Singapore (2005)
- **Members:** Nine (9) countries are currently negotiating the Trans-Pacific Partnership (TPP) Agreement viz. Australia, Brunei, Chile, Malaysia, New Zealand, Peru, Singapore, USA and Vietnam... **Others may join?:** Canada, Japan, Korea, Philippines, Mexico, Chinese Taipei (Taiwan)
- **Coverage:** Besides market access in goods (11000 TEs) and services (negative list), negotiations on investment, government procurement, rules of origin, intellectual property, standards, environment, labour, e-commerce, competition policy, custom procedures, trade remedies..
- **Timelines:** Obama Administration push to conclude TPP by end 2012 (US elections, USTR rejig, no TPA?). 10 Rounds of negotiations in 2010 – 2011. Last (11<sup>th</sup>) round: March 2012.

# TPP: A “21<sup>st</sup> Century Agreement”?

- Basically a deal between a few in “emerging” Asia with USA.
- “Hub” and “Spokes”. Approach being followed (US-led or building on the existing P4-CEP framework)?
- All current negotiating members of the TPP already have a number of existing trade agreements with each other.
- WTO+ and WTO-X
- By eliminating tariffs and other barriers to goods and services trade, the TPP may help in boosting world trade against the backdrop of the current impasse at Doha.

# EPA: Fact Sheet

- **Evolution:** WTO compatibility of EU's preferences to ACP. Post Cotonou - Economic Partnership Agreements (EPAs)
- **Parties Involved:** EU Member States (27) + ACP (75 +/-). ACP economically (38 LDCs and the rest non-LDCs) and geographically diverse grouping. EU's EPA negotiations with sub-groups within ACP (Caribbean, Pacific + Africa sub-divided into CEMAC, EAC, ESA, SADC, WAEMU)
- **Coverage:** Goods (EU: offer in lieu of preferences; ACP allowed carve outs (upto 20% sensitive lines) and given 15 to 25 year implementation periods.
- Also negotiations may cover services, Singapore Issues, TRIPS, standards, development assistance etc.
- **Timelines:** Cotonou Agreement (2000). Waiver at Doha Ministerial (2001). EPA negotiations commence with a view to concluding the agreements by end 2007. Only EPA with Caribbean concluded; interim EPAs with others.

# ASEAN+3-6: Fact Sheet

- **Evolution:** Can ASEAN move to ASEAN+3 or ASEAN+6
- **Parties Involved:** ASEAN (10): Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Myanmar, Malaysia, Philippines, Singapore, Thailand and Viet Nam & China, Japan, Korea (+3) & Australia, India and NZ (+6)
- **State of Play:**
  - Studies being conducted in parallel on Comprehensive Economic Partnership in East Asia (Asean+6) and East Asia Free Trade Area (Asean+3)
  - Four Working Groups study Economic Cooperation, Rules of Origin, Customs Procedures and Tariff Nomenclature
  - First East Asia Summit (EAS) held in December 2005 at Kuala Lumpur; since then there have six such summits, the last one held in November 2011 at Bali.



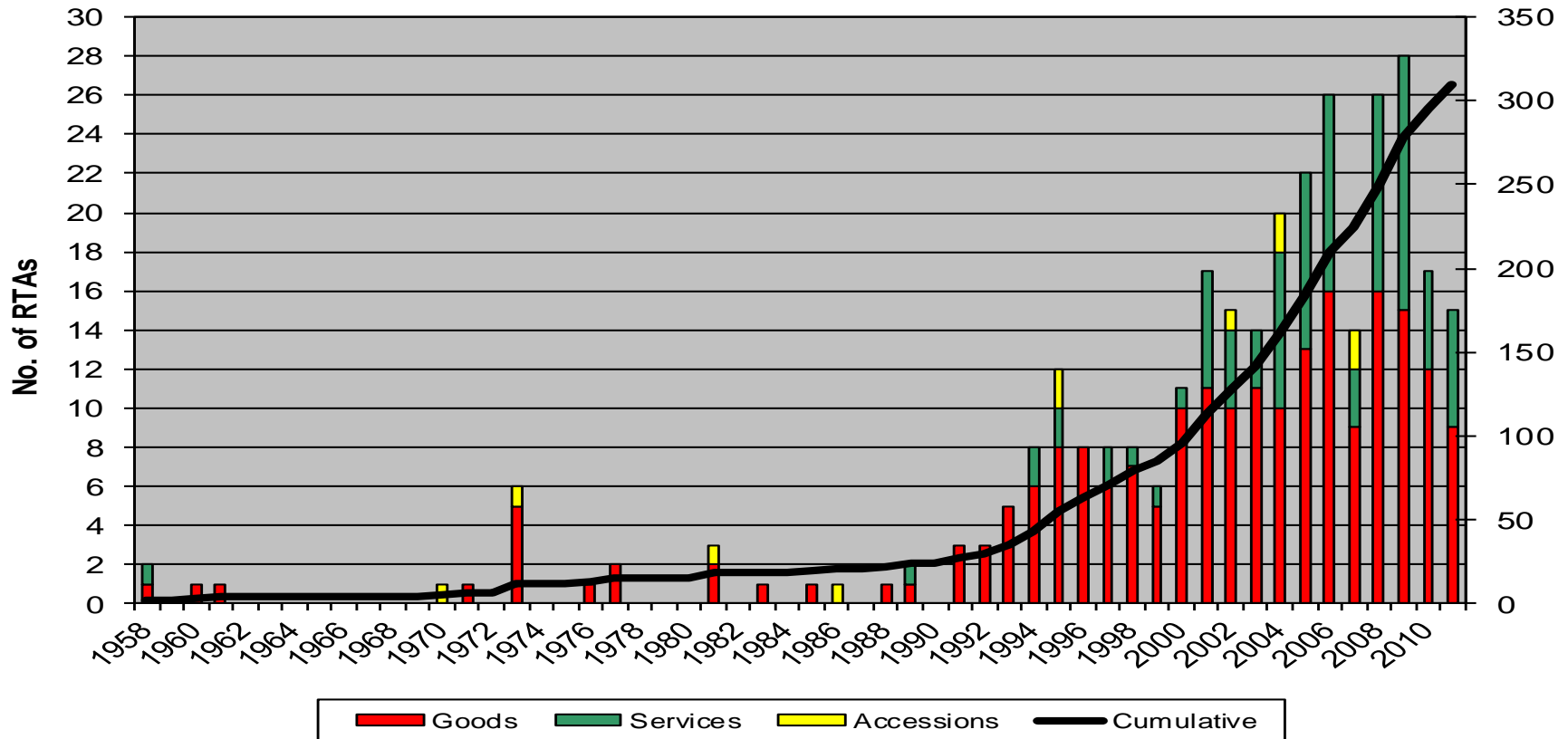
# ASEAN-India: Fact Sheet

- **Evolution:** ASEAN-India Summit first held in 2002 (annually since then). Deeper cooperation/integration “look east”
- **Parties Involved:** ASEAN (10) + India
- **Coverage:** Goods: Over 90% of products traded. Staged implementation: Tariffs on over 4,000 product lines to be eliminated by 2016, at the earliest.
- Also ongoing negotiations on services, investment, other issues (rules of origin, dispute settlement, aviation etc.)
- **Timelines:** ASEAN-India Framework Agreement on Comprehensive Economic Cooperation signed in 2003. In 2009, ASEAN and India sign the ASEAN-India Trade in Goods (TIG) Agreement after six years of negotiations. The TIG Agreement enters into force in 2010.
- ASEAN- India currently negotiating Trade in Services and Investment Agreements, targeted for early conclusion.

# Emerging Trends

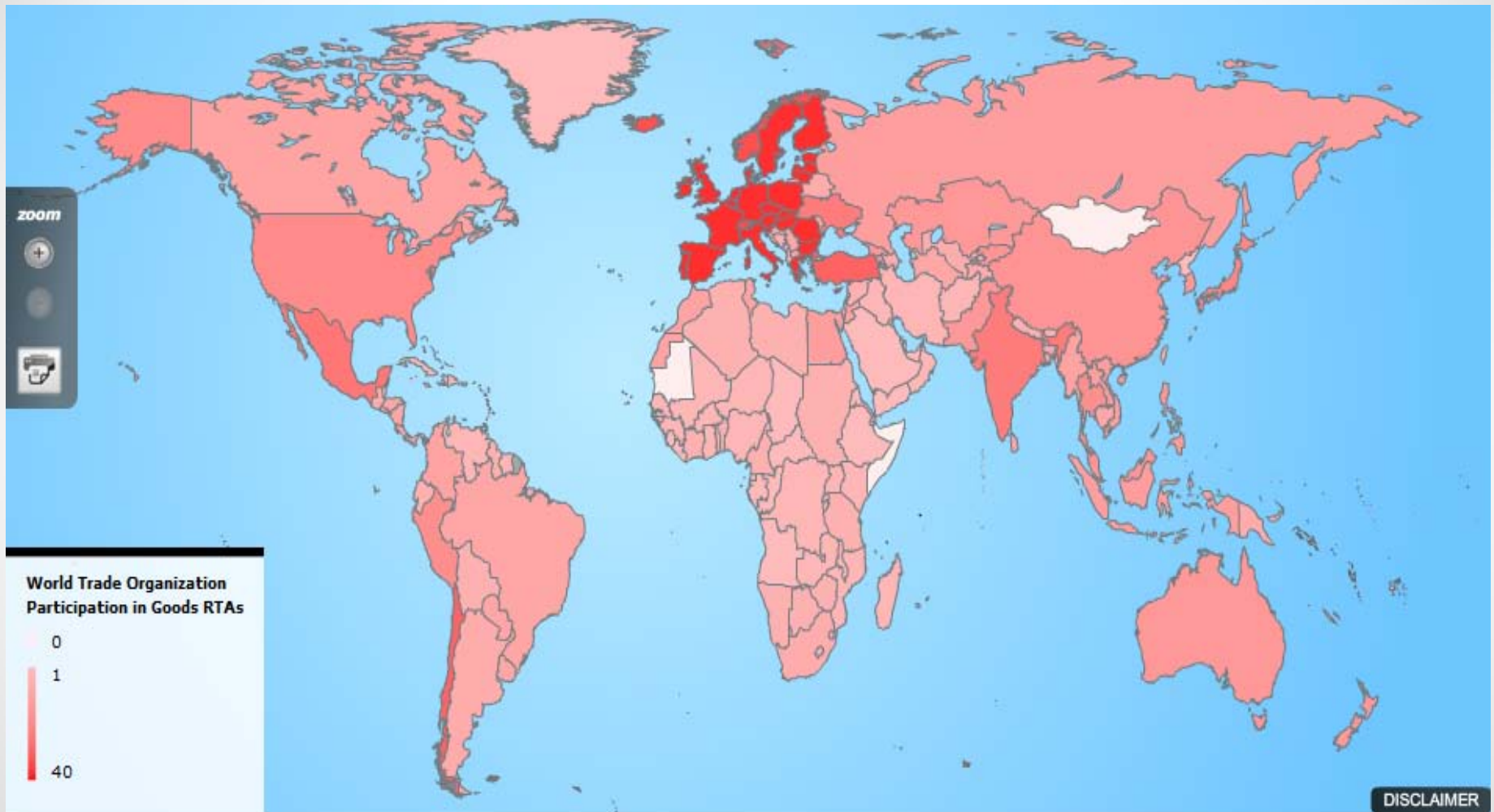
- Proliferation of RTAs / PTAs
  - Four fold jump in PTAs: About 70 in force in 1990; 300 by 2010
    - Intra PTA trade as % of world merchandise trade doubled (18% - 1990; 35% - 2010)
  - Geographical distribution
    - Global rush to sign up (don't want to be left out)
    - RTAs or PTAs (regional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

# RTAs in force: 1958 - 2011



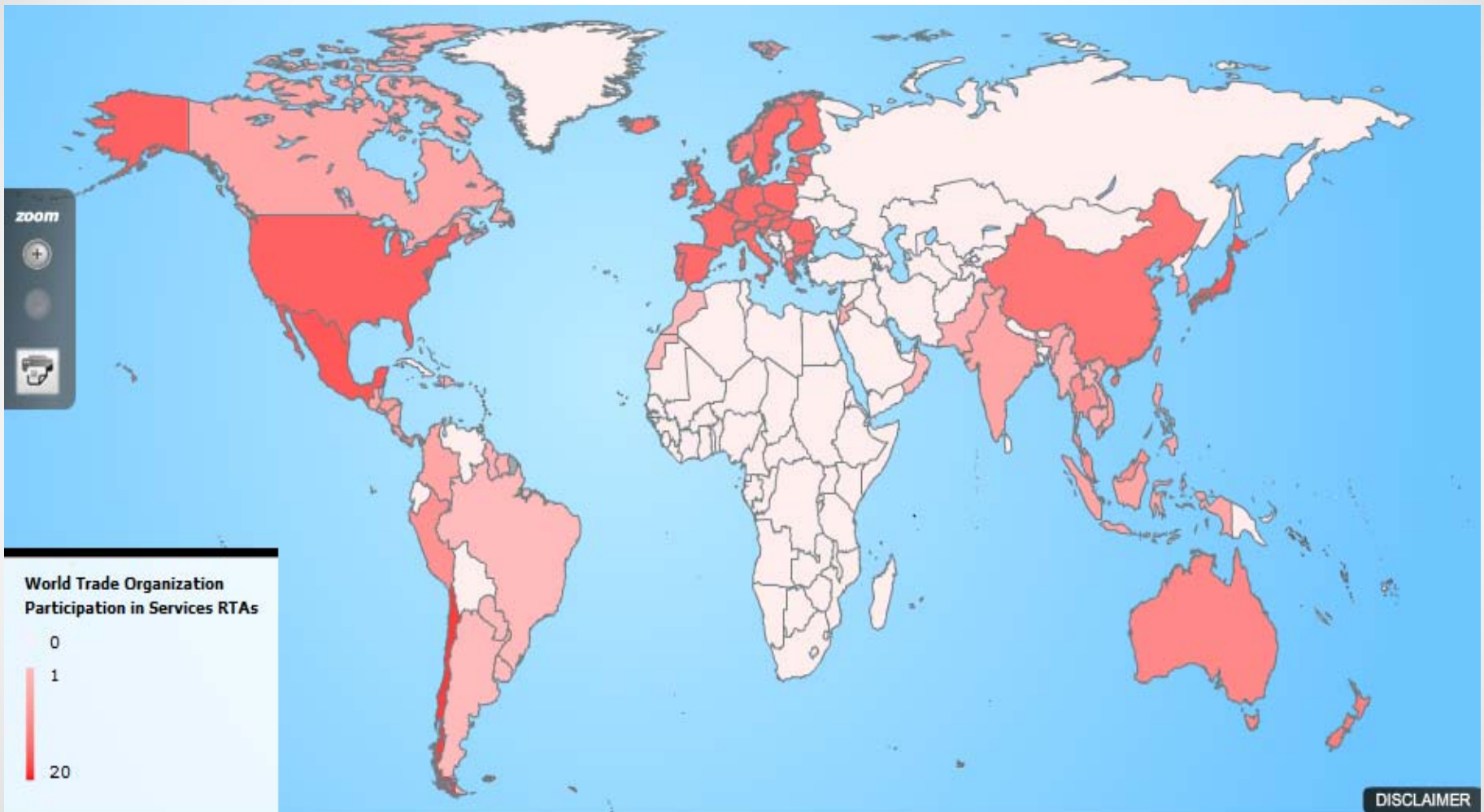
- Over 300 RTA notifications received by the GATT/WTO Secretariat
- Approx 100 RTAs in the pipeline (negotiations ongoing or not yet in force)
- Number of RTAs in force but not yet notified to the WTO?????

# Participation in Goods RTAs (notified and in force till 2011)



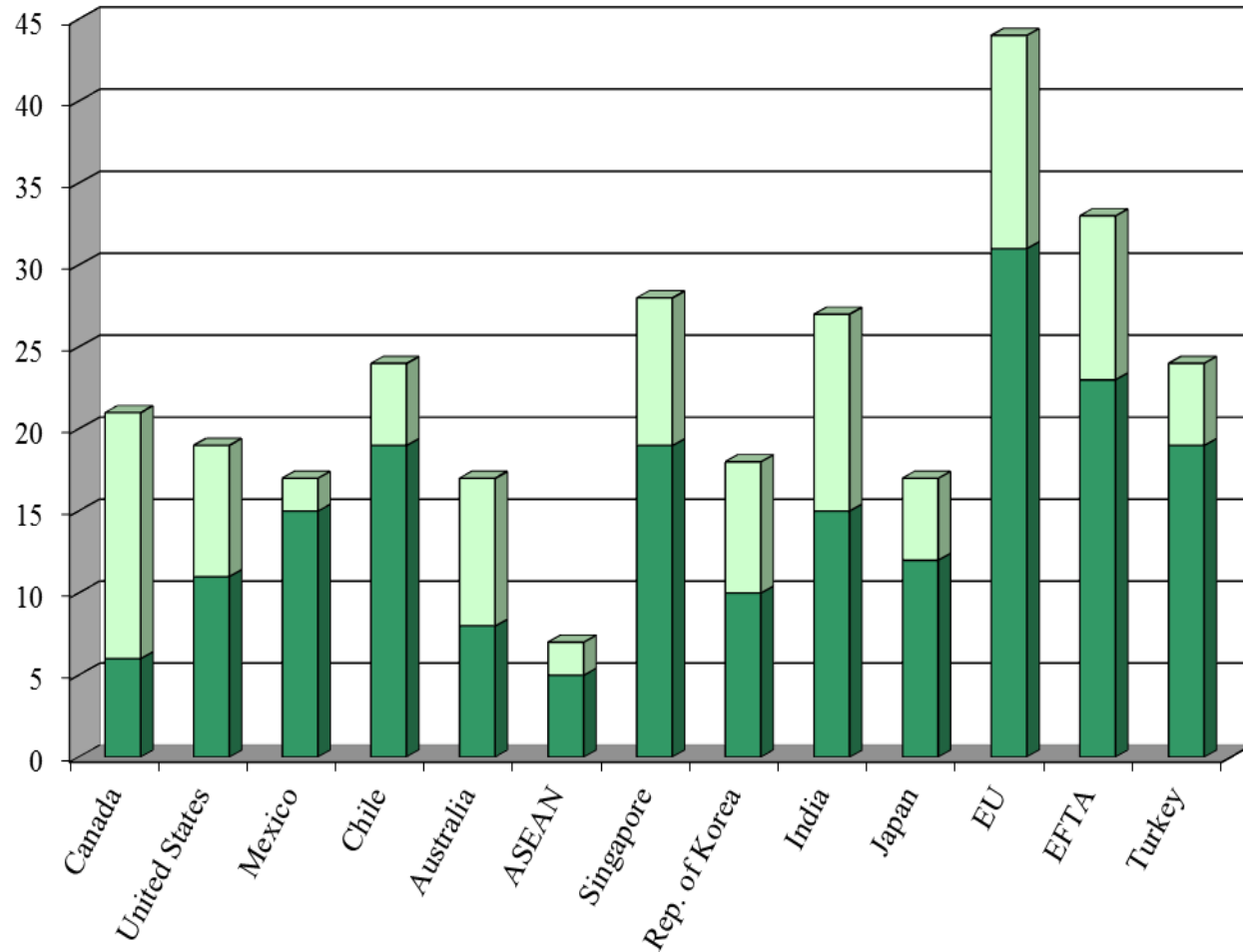
Source: WTO RTA Database, <http://rtais.wto.org>

# Participation in Services RTAs (notified and in force till 2011)



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

# Who are the active ones..?

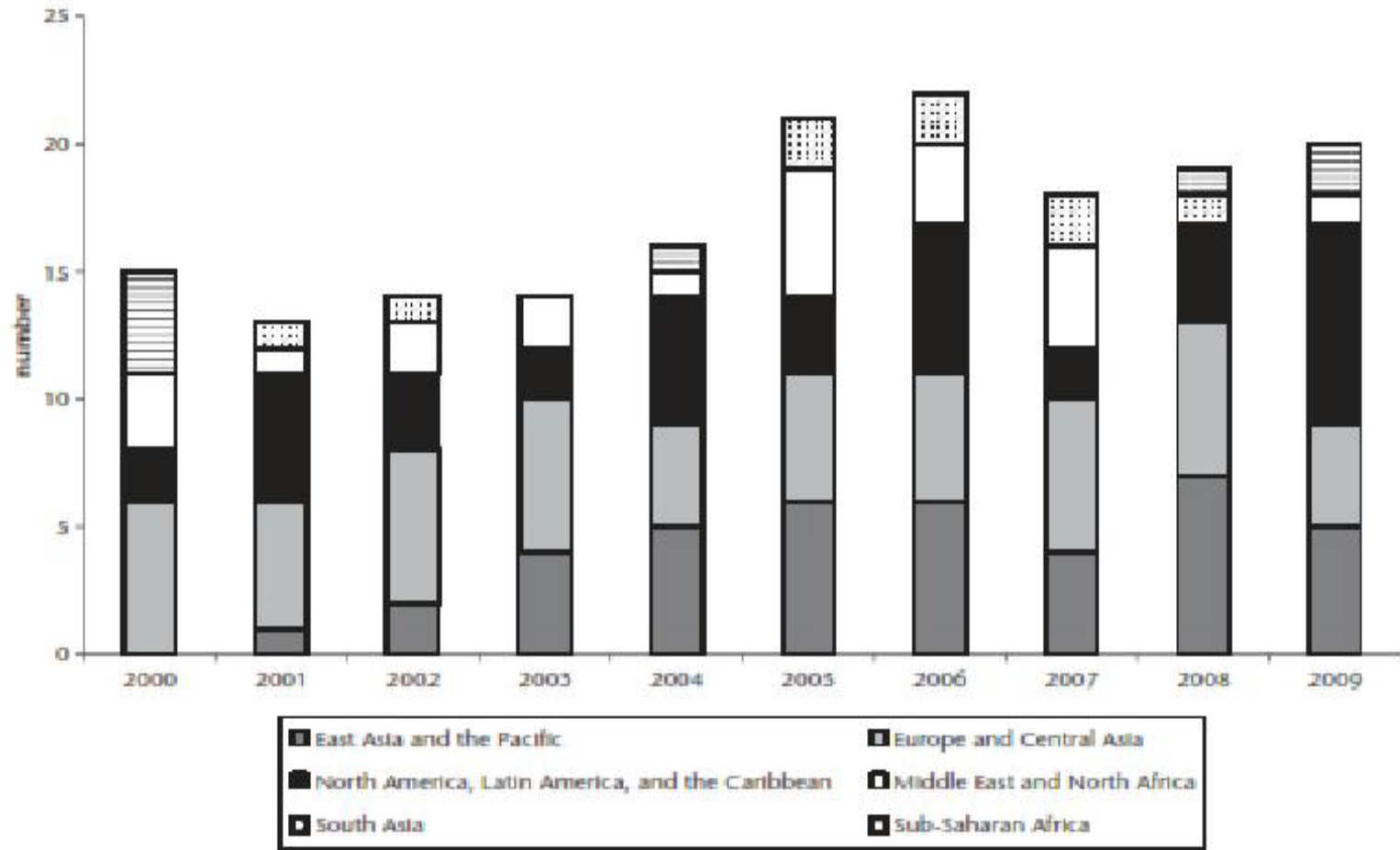


□ Forecast (RTAs currently under negotiation / signed)

■ RTAs notified and in force as of October 2011



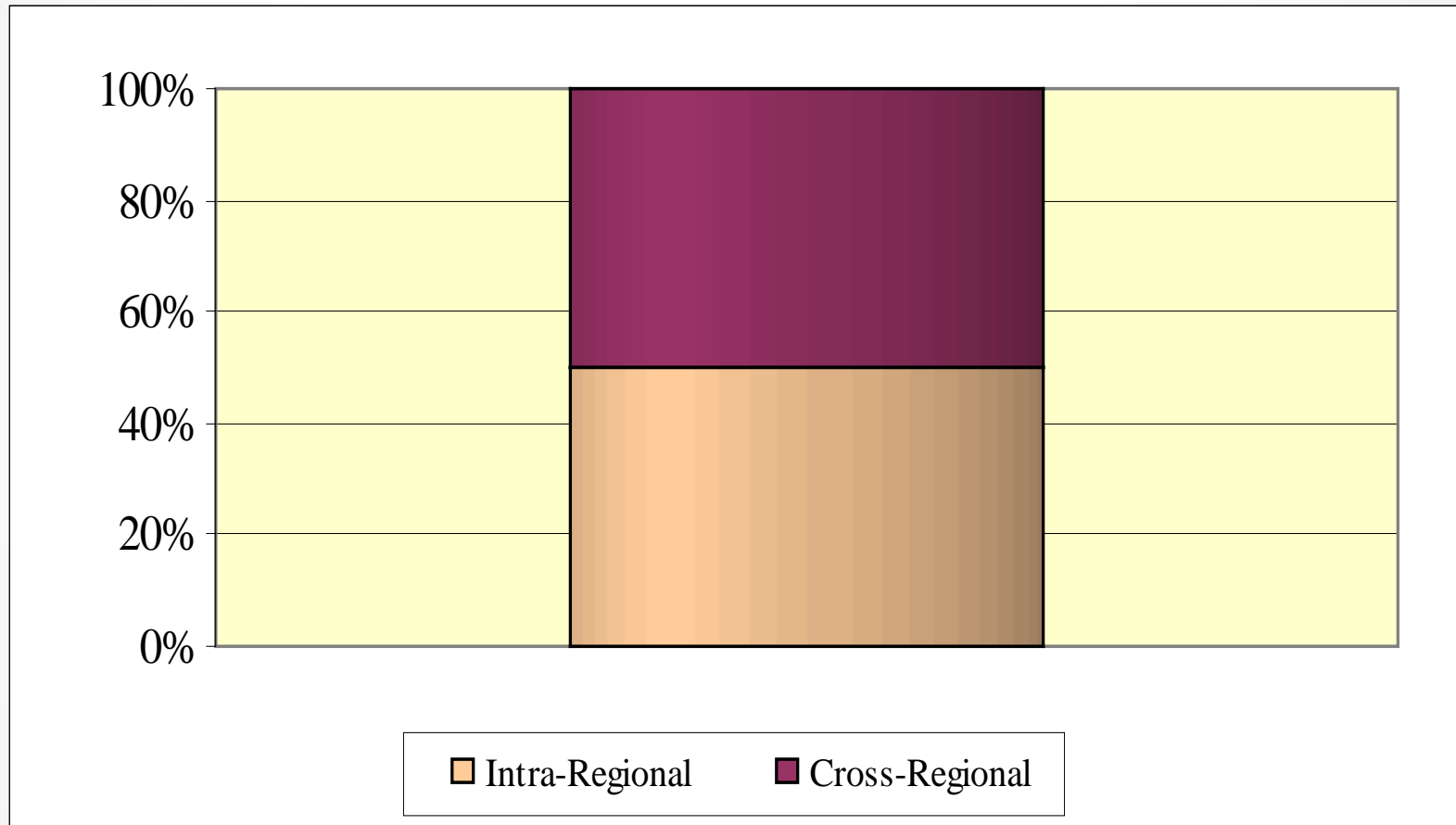
# RTAs by Region (2000 – 2010)



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 ●



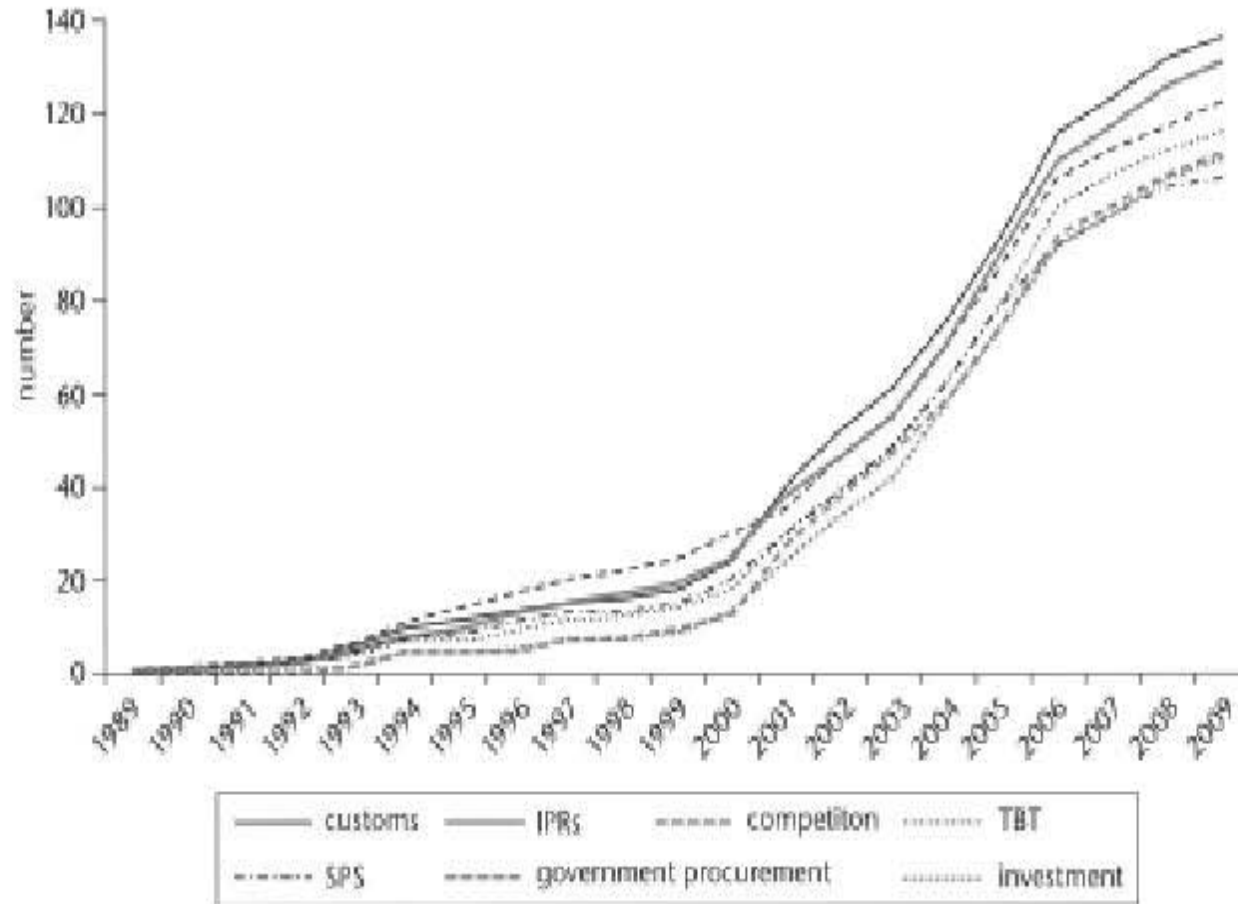
# RTA/PTAs: choice of partner

	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		
<b>Total</b>	<b>50</b>	<b>10</b>	<b>81</b>	<b>43</b>	<b>88</b>	<b>38</b>	<b>219</b>	<b>91</b>
	<b>60</b>		<b>124</b>		<b>126</b>		<b>310</b>	

# 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



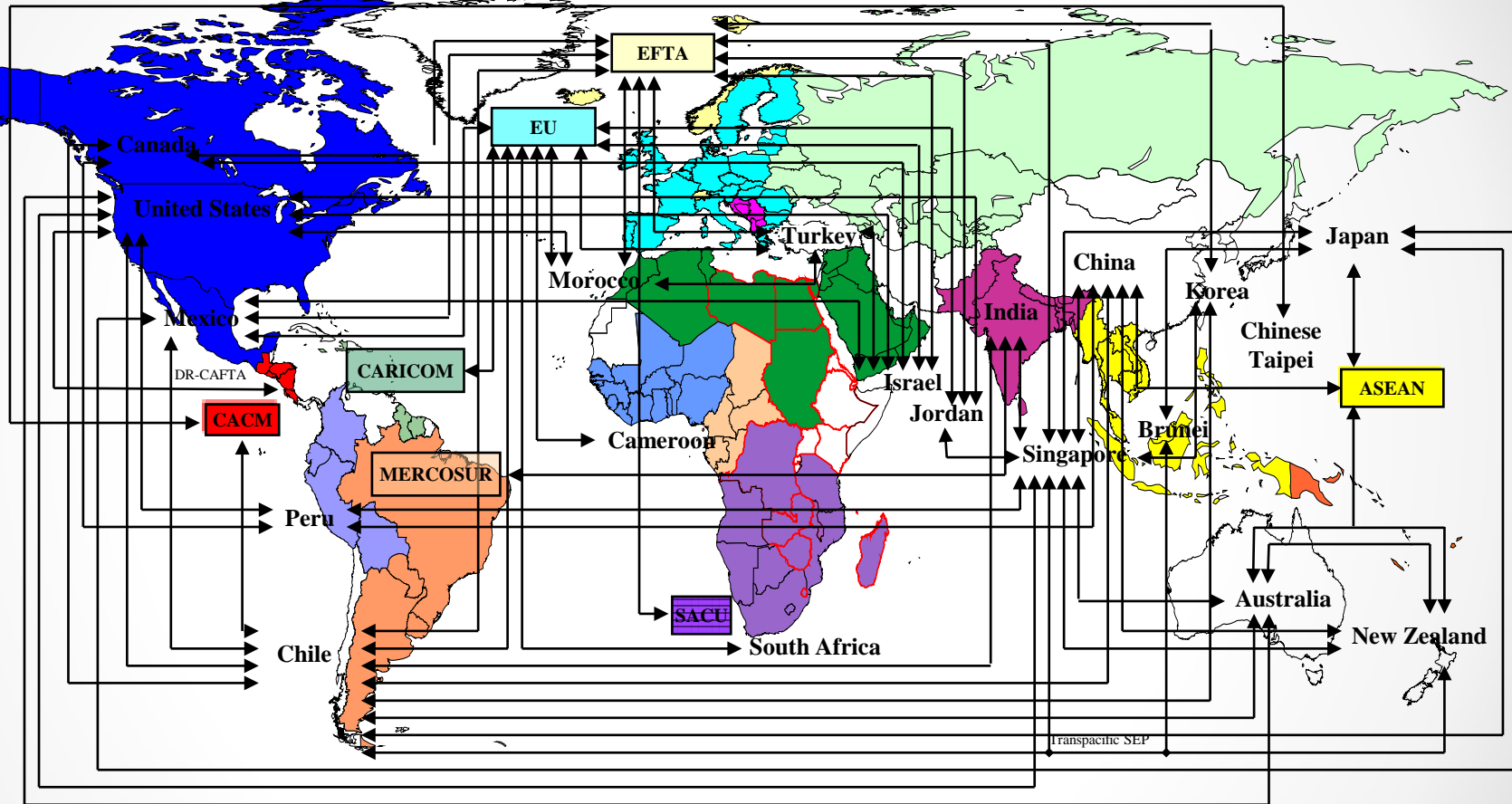
Source: WTO RTA database; World Bank Global Preferential Trade Agreements database; *Global Economic Prospects* (World Bank 2005); and additional observations based on Horn, Mavroidis, and Sapir 2010.

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

# Emerging Trends

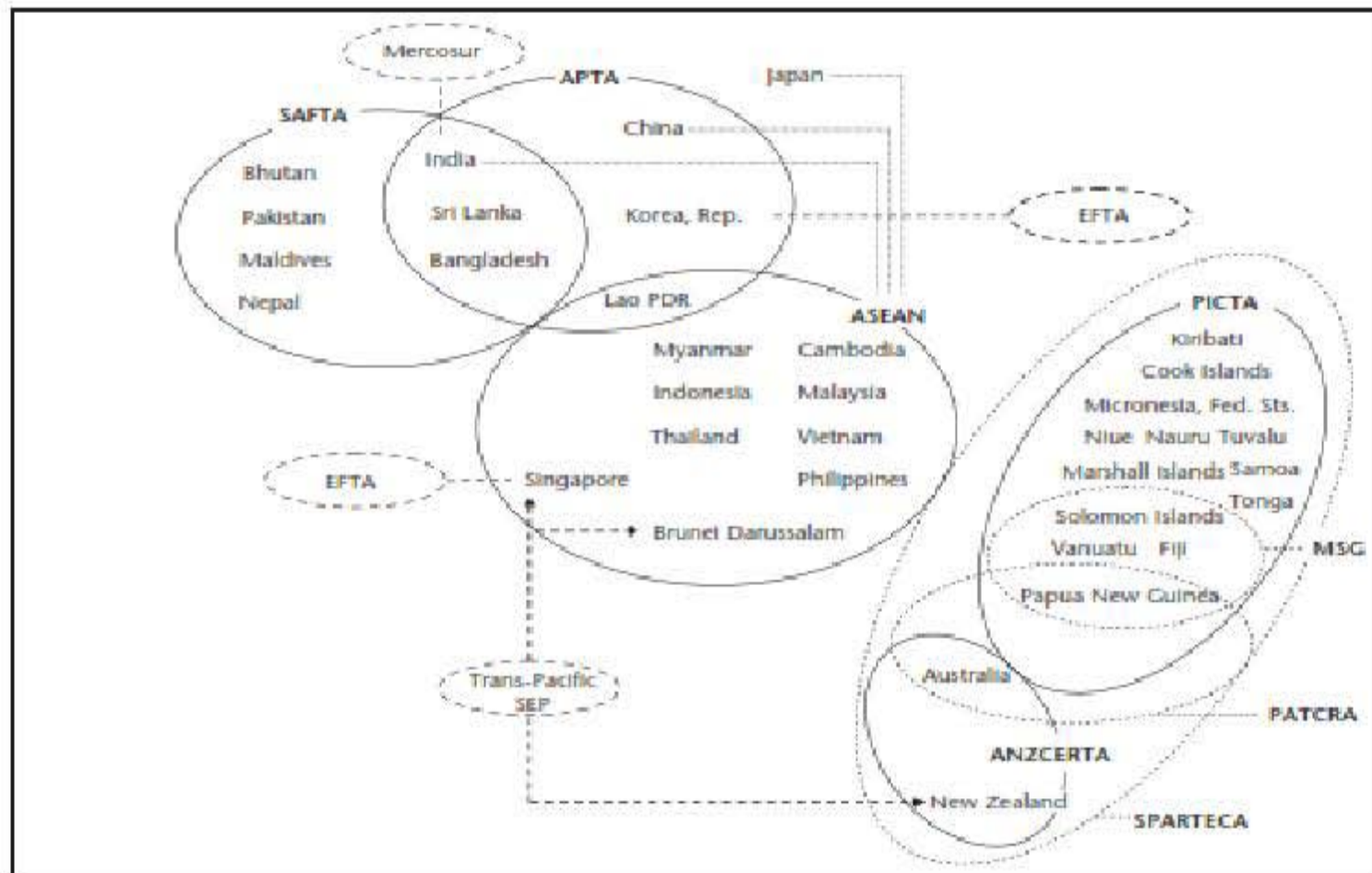
- Consolidation or Fragmentation?
  - Examples: EPA / EU enlargement / FTAA / TPP
    - Hub and Spokes
    - Harmonization and Carve Outs
    - Opportunities and Challenges
  - Coherence with the Multilateral Trading System
    - Building blocks or stumbling blocks
    - Trade creation or diversion
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

# Consolidation or Fragmentation....?



- |   |  |   |  |   |   |   |
|---|--|---|--|---|---|---|
| <span style="color: blue;">■</span> NAFTA | <span style="color: cyan;">■</span> EUROPEAN UNION | <span style="color: yellow;">■</span> EFTA    | <span style="color: green;">■</span> PAFTA   | <span style="color: lightblue;">■</span> ECOWAS | <span style="border: 1px solid black; display: inline-block; width: 10px; height: 10px;"></span> EAC  | <span style="color: purple;">■</span> SAFTA |
| <span style="color: red;">■</span> CACM   | <span style="color: green;">■</span> CARICOM       | <span style="color: magenta;">■</span> CEFTA  | <span style="border: 1px solid black; display: inline-block; width: 10px; height: 10px;"></span> GCC   | <span style="color: orange;">■</span> CEMAC     | <span style="color: purple;">■</span> SADC  | <span style="color: yellow;">■</span> ASEAN |
| <span style="color: grey;">■</span> CAN   | <span style="color: orange;">■</span> MERCOSUR     | <span style="color: lightgreen;">■</span> CIS | <span style="border: 1px solid black; display: inline-block; width: 10px; height: 10px;"></span> WAEMU | <span style="color: red;">—</span> COMESA       | <span style="border: 1px solid black; display: inline-block; width: 10px; height: 10px;"></span> SACU | <span style="color: orange;">■</span> PICTA |

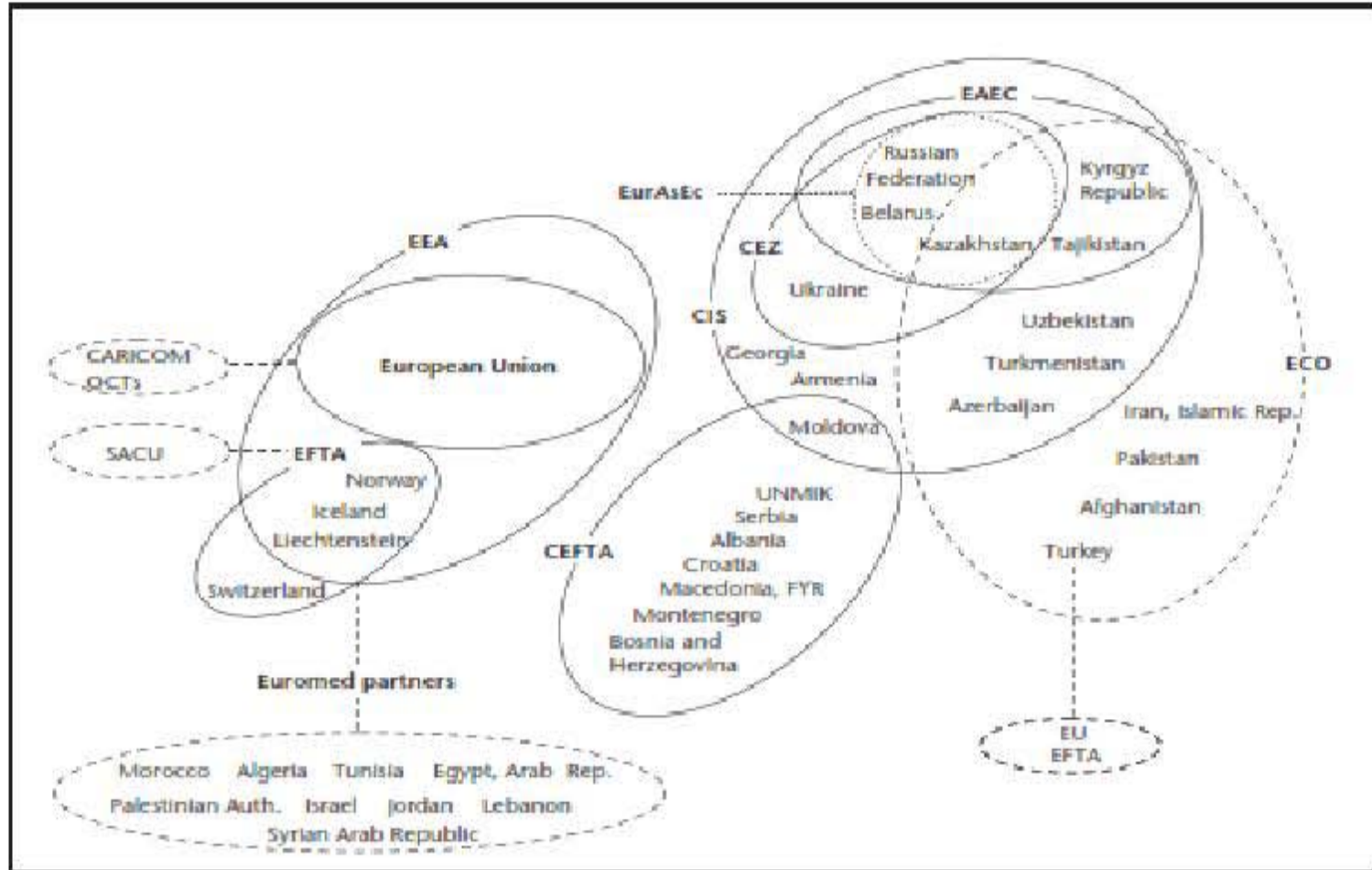
# RTAs: Asia - Pacific



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; PACTRA, 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

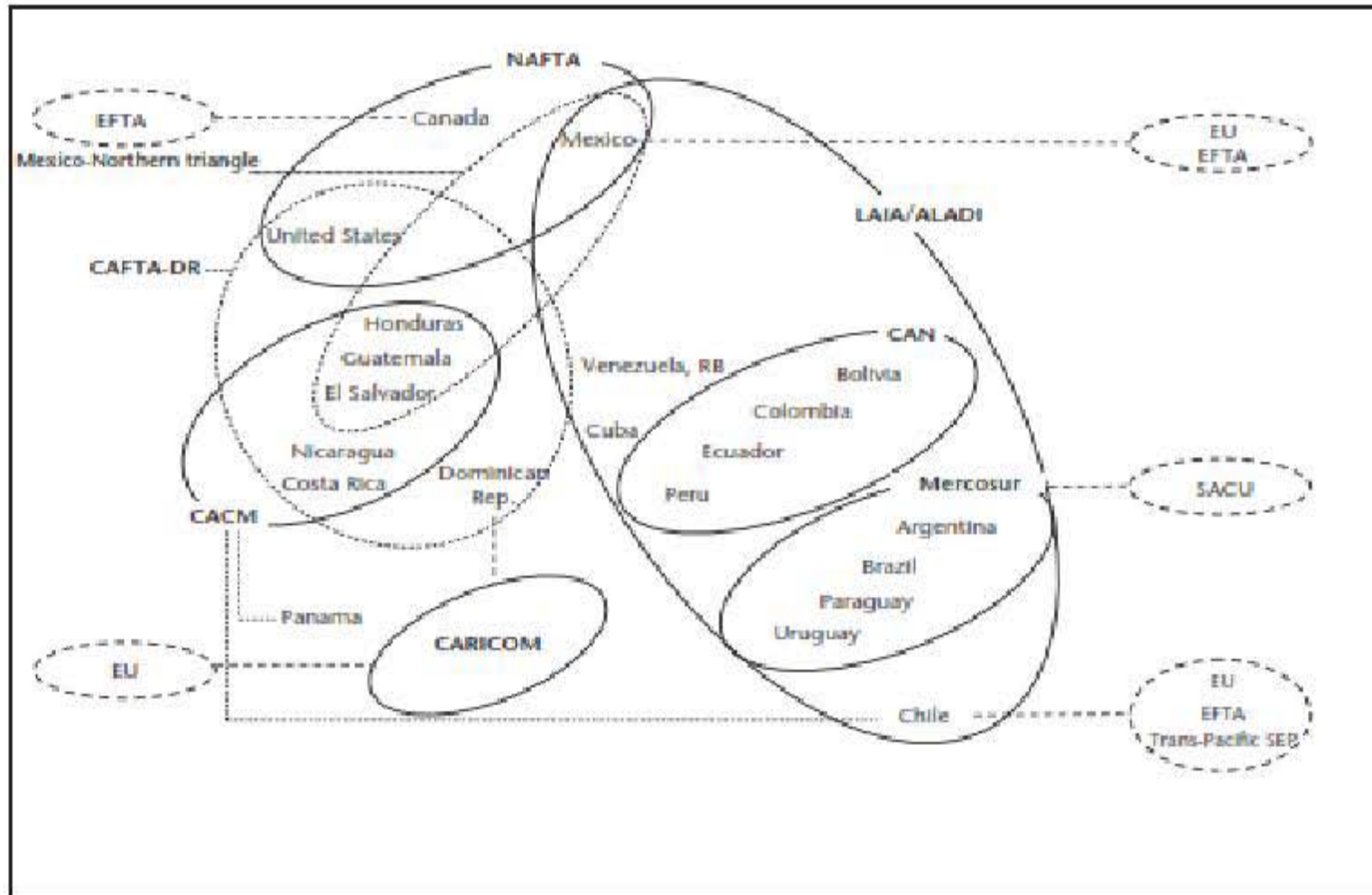


Source: WTO Secretariat.

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

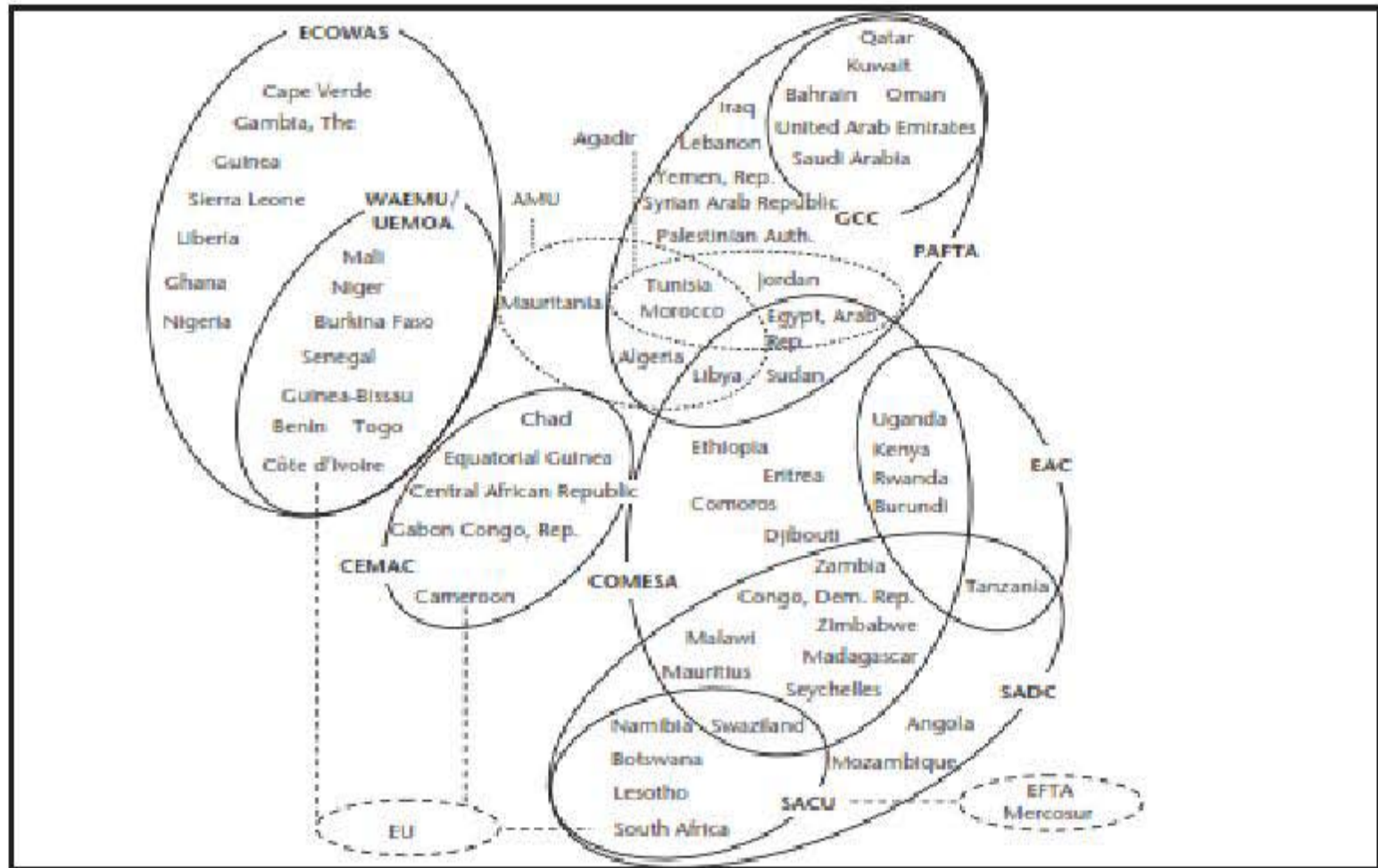


Source: WTO Secretariat.

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

- Mega or Mini RTAs/PTAs.... Does this matter?
- Proliferation of PTAs/RTAs
- 21<sup>st</sup> Century Agreements: Market Access +
- Implications for the global trading system.

Thanks for your attention!!!

Comments /Questions ?

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