

Centre for WTO Studies  
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# Unmasking the Regional Trade Agreements in Asia and the Pacific

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# Presentation outline

- Back to origins – rationale behind RTAs
- Landscape of RTAs in Asia-Pacific
- Features of RTAs
- Main concerns / risks
- Policy options for management of RTAs and enabling region-wide trade and production (if possible)



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# Back to origins

- RTAs only as a second best
- Some reasons for opting for RTAs (as opposed to unilateral or MFN liberalization):
  1. First-mover advantages in a world of spreading RTAs
  2. Market access insurance
  3. Flexibility (and export of regional products)
  4. Synergies between different tiers of liberalization
  5. Positive externalities (regional and global public goods, in particular regional infrastructure networks)
  6. Private sector preferences



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# Non-economic / nontraditional gains

- Anchoring for domestic reforms (transition economies /emerging markets)
- Improvement in international bargaining power
- Many other possible objectives



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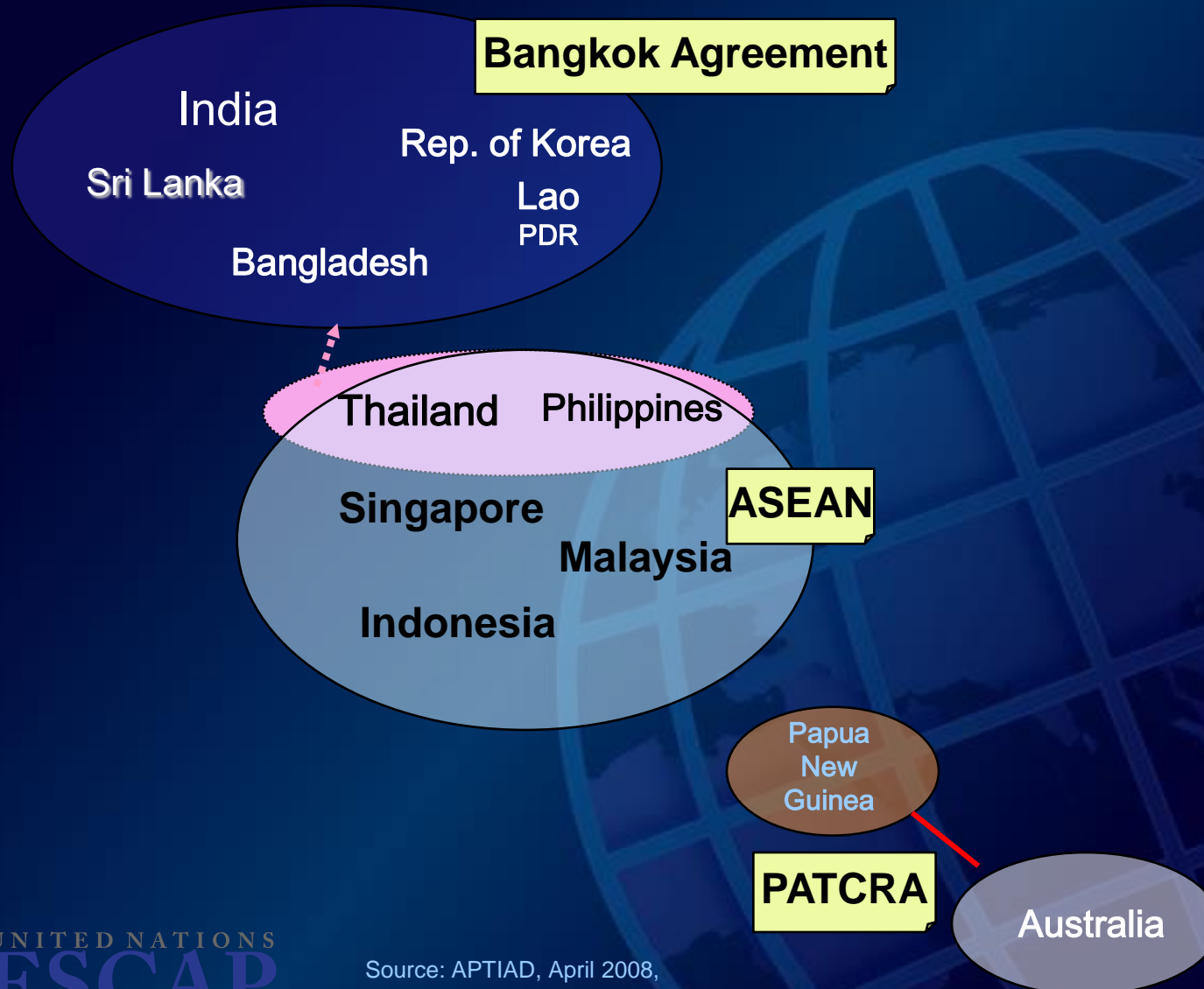
Economic and Social Commission for Asia and the Pacific

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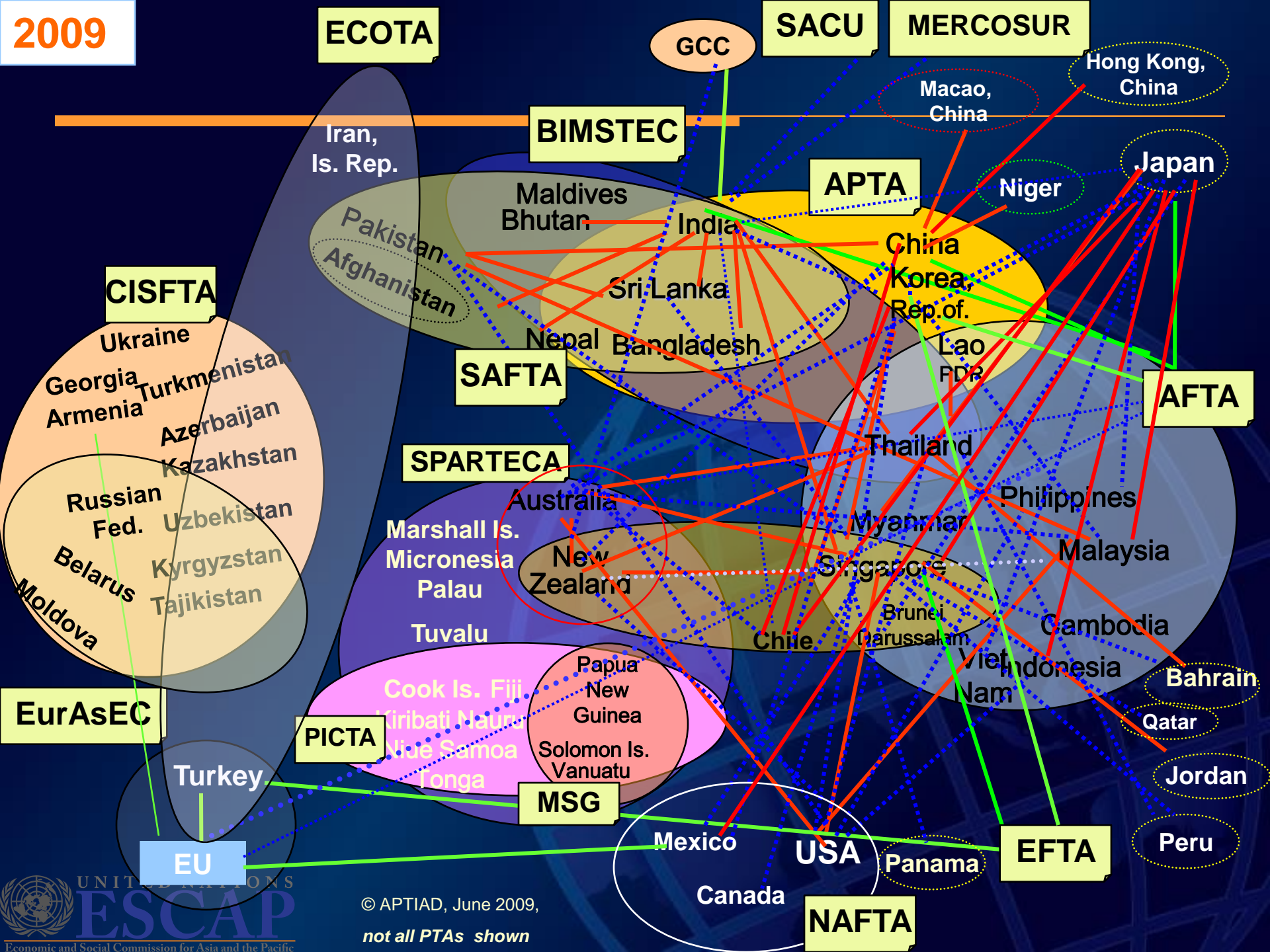
# Landscape of RTAs in Asia-Pacific



1977

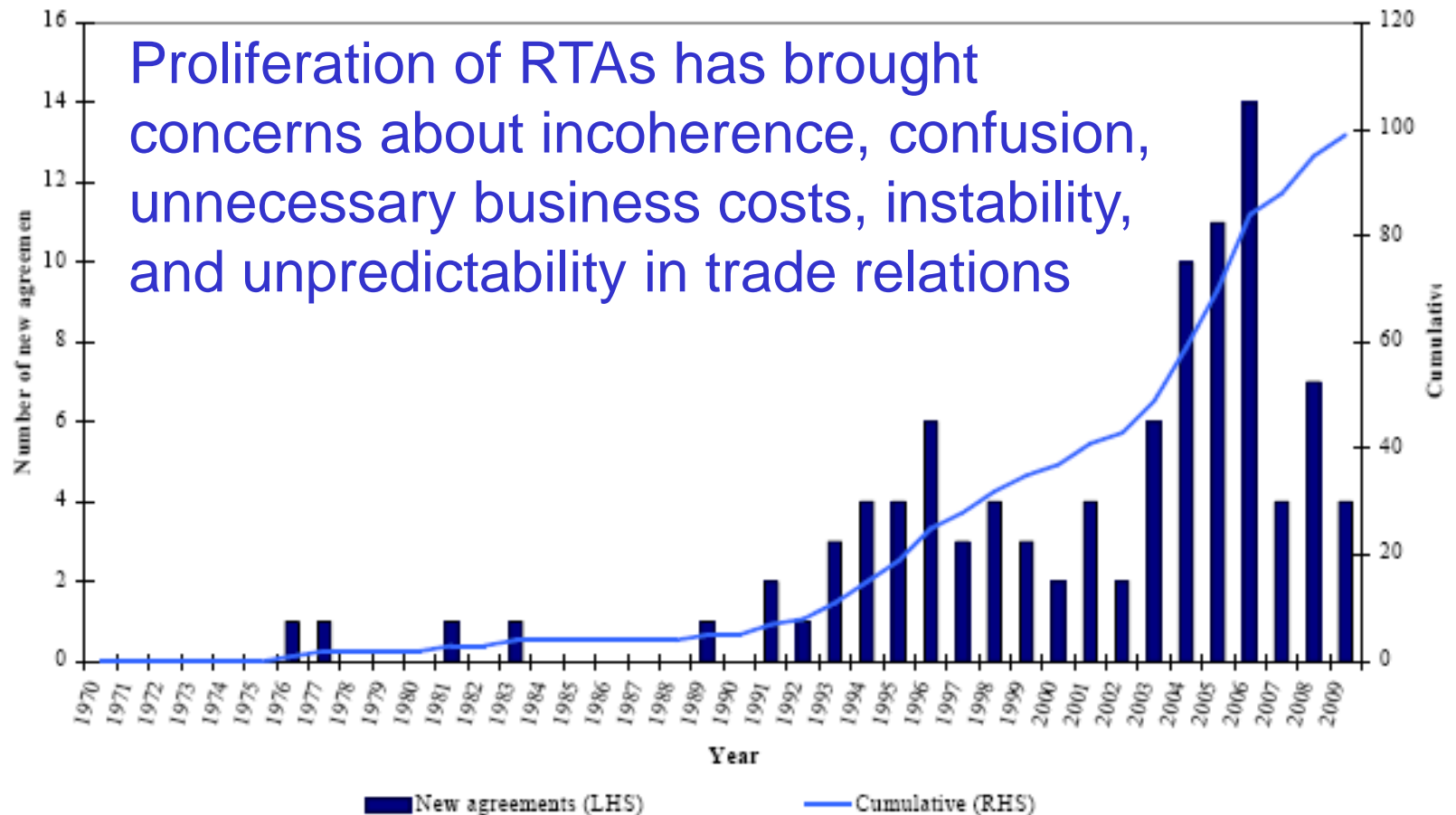


Source: APTIAD, April 2008,



# RTAs explosion in Asia-Pacific

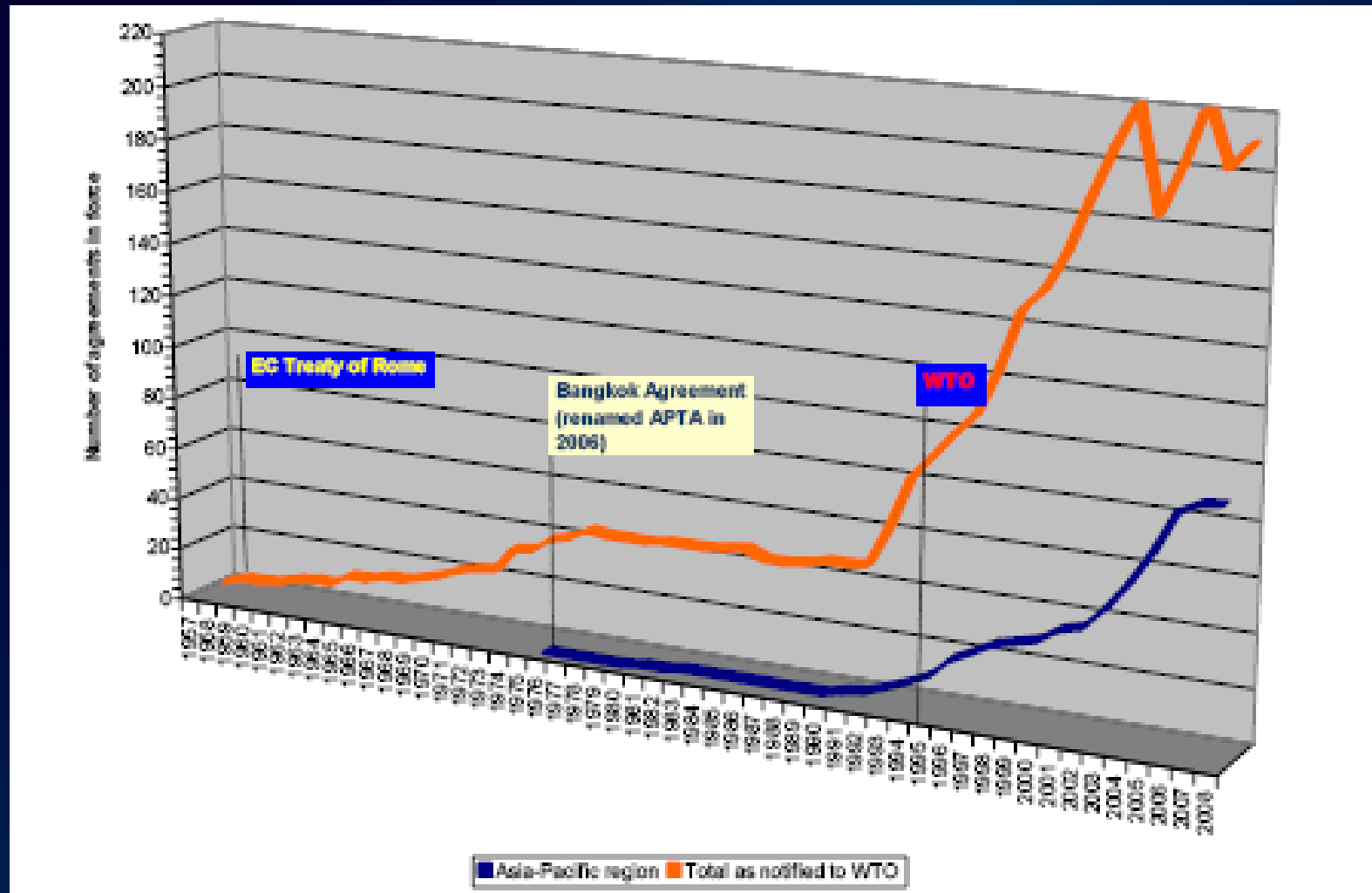
Proliferation of RTAs has brought concerns about incoherence, confusion, unnecessary business costs, instability, and unpredictability in trade relations



Interest of countries in Asia-Pacific to negotiate had one peak in mid 1990s and then started to rise exponentially after 2002



# Countries in Asia-Pacific one of the drivers of the global spree of RTAs



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# Features of RTAs in Asia-Pacific

# Types and scope of Asia-Pacific RTAs

	Bilateral		Country-block		Regional		Global (GSTP)	Total
	within region	cross- region	within region	cross- region	within region	cross- region		
Customs union	0	0	0	1	1	0	0	2
FTA & EIA <sup>a</sup>	17	9	0	2	0	2	0	30
Free trade agreement	25 <sup>b</sup>	12	2	1	4	0	0	44
EIA	1	0	1	0	0	0	0	2
Preferential agreement	4	2	1	0	4	0	1	12
Framework agreement	2	3	2	5	2	0	0	14
Subtotal	49	26	6	9	11	2	1	104
Total	75		15		13		1	104

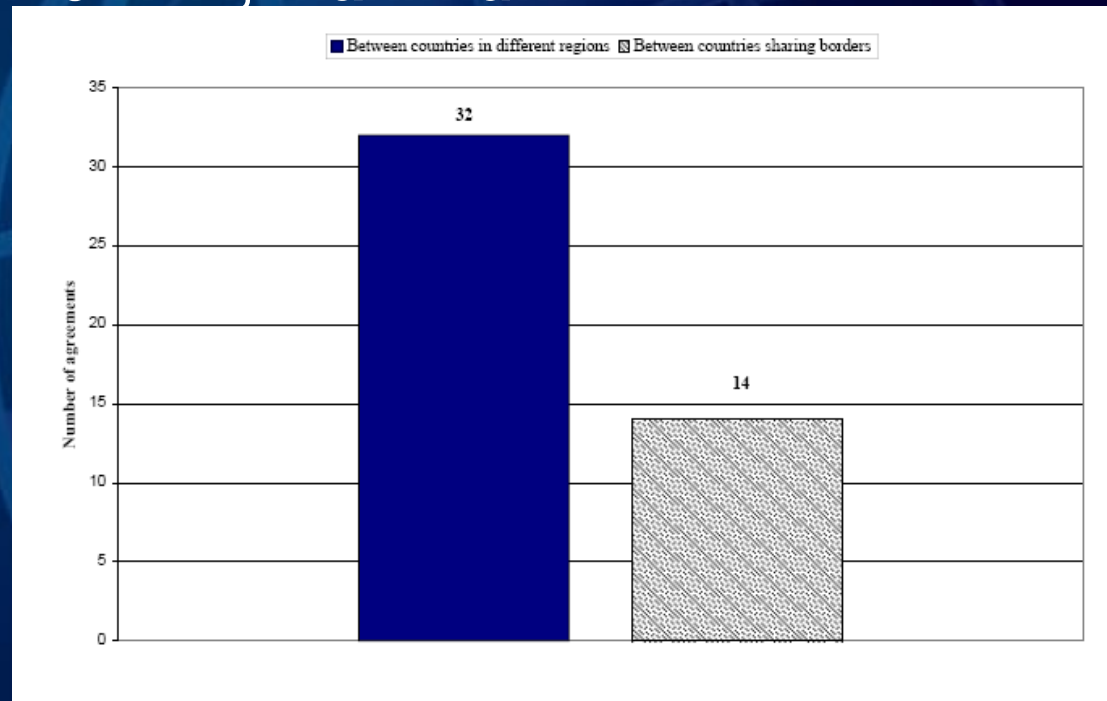
Notes: \* “FTA & EIA” stands for Free Trade Agreement and Economic Integration Agreement- a category of agreements that are notified both under goods and services; \* \* includes six agreements between Central Asian countries and members of CIS not in ESCAP Source: Compiled from APTIAD, August 2009

# Number and make up of memberships:

- Only one Asian WTO Member (Mongolia) has no RTAs (as yet!)
- Asia-Pacific non-WTO members: from 1 to 11 RTAs
- Average per ESCAP  $\cong$  6 RTAs in implementation per economy, minimum=0 RTA, maximum= 22 RTA

- 8 members per one RTA

- Often partners from outside the region:  
Only 14 BTAs among countries that share borders



# RTAs regulate about ½ of global trade\* and

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- Nearly all intraregional trade in Americas
- Most of trade in some of the key integrator countries such as Chile and Mexico, both of which have entered into RTAs with all of their main trading partners\*
- Increasing, but still not dominant share of intraregional trade
- Not more than half of trade in larger AP trading economies, China or Republic of Korea, which still trade more with countries with whom they have no RTAs

**“RTA systems”- subregional, hemispheric, trans-Pacific, and trans-Atlantic\***

\* Estevadeordal and Suominen, 2009



# Change in trade orientation

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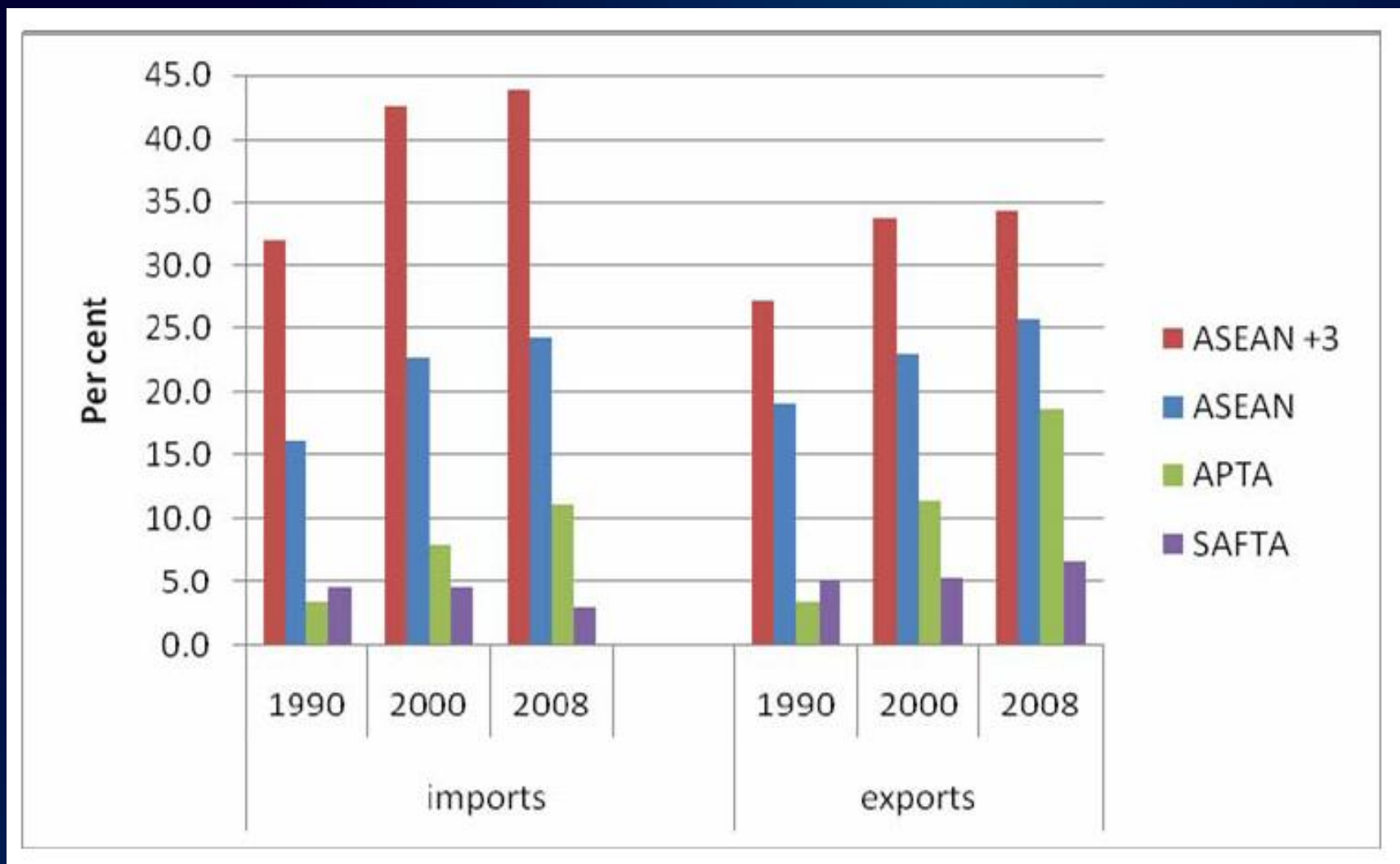
- APTIR 2009 discusses at length the directions of trade of AP countries, also the issues of “decoupling”- there is some evidence that some trade flows are diverted from Europe/US towards Asia; there is also evidence of growing South-South trade
- trends different for exports and imports and vary with respect to type of products

# Volume of trade covered

Country	Share of exports under RTAs (in %)
Bangladesh (10)	9.9
Japan (8)	12.6
India (11)	18.5
Republic of Korea (10)	27.1
China (19)	31.1
Viet Nam (12)	39.5
Malaysia (14)	46.7
Philippines (12)	46.9
Thailand (14)	48.3
Indonesia (12)	55.7
Singapore (22)	57.8
Brunei Darussalam (14)	75.7

As shares of exports to PTA partners in total country's exports

# Proportion of IR imports and exports for major RTAs

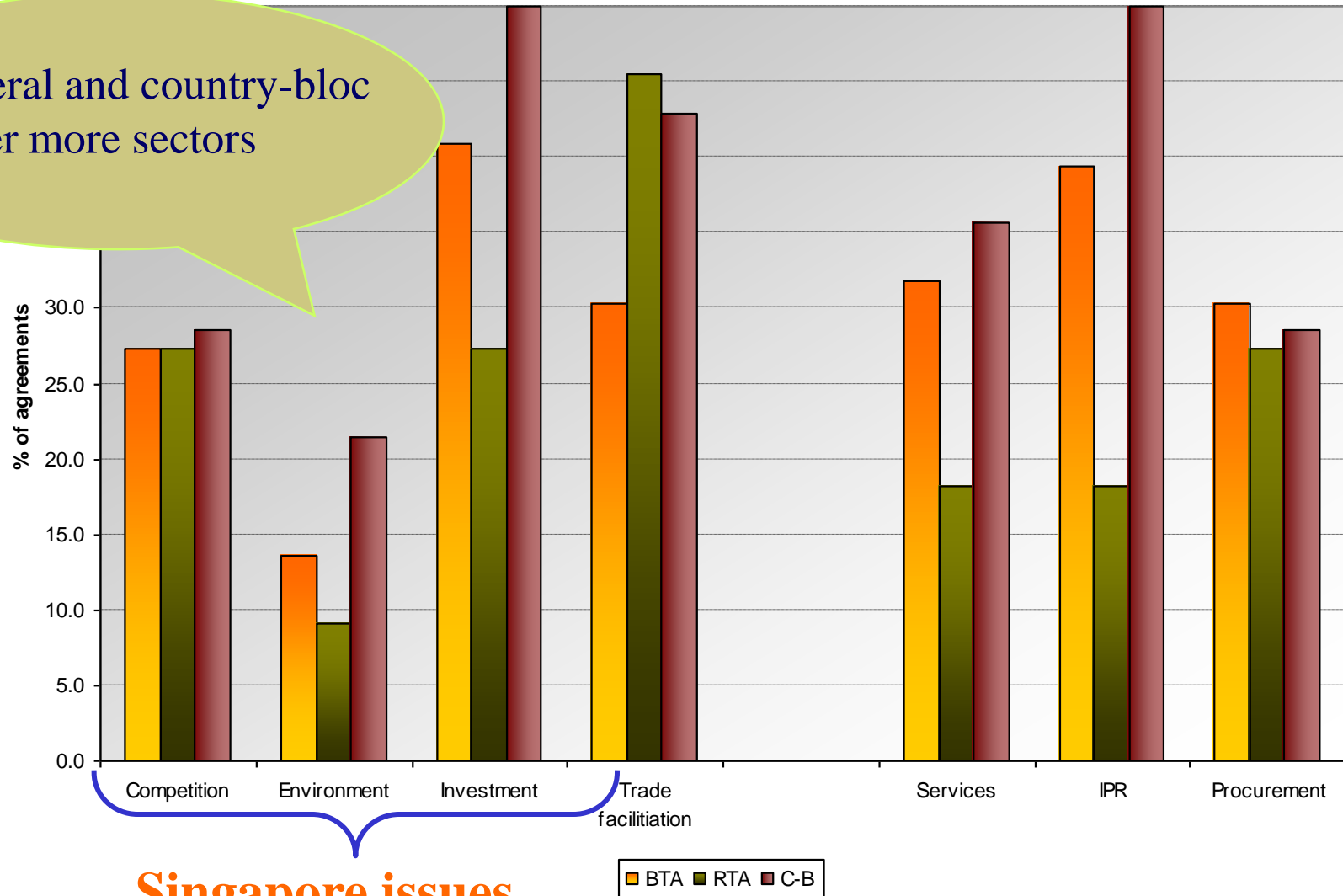


# SECTORS/ AREAS covered by RTAs

<i>RTA</i>	<i>NTMs</i>	<i>Investment</i>	<i>Services</i>	<i>Competition</i>	<i>IPR</i>	<i>TF</i>
ASEAN-Australia-New Zealand FTA (AANZFTA)	✓	✓	✓	_***	✓	✓
ANZCERTA <sup>1</sup>	✓*	-	✓ Separate	✓ Separate	-	✓ Separate
APTA <sup>2</sup>	-	In progress	In progress	-	-	In progress
ASEAN (AFTA) <sup>2</sup>	✓	✓ Separate	✓ Separate		✓	✓
ASEAN-China PTA <sup>2</sup>	_**	_**	✓ Separate	-	_***	-
BIMSTEC-FTA	_**	_**	_**	-	-	_**
India-Singapore BTA <sup>1</sup>	✓	✓	✓	✓	_***	✓
PICTA	✓	-	-	✓	-	_***
SAFTA	-	_**	-	_**	-	_**
TRANS-PACIFIC SEP <sup>1</sup>	✓	In progress	✓	✓	✓	✓

# Difference between RTAs in terms of coverage:

bilateral and country-bloc  
cover more sectors



Singapore issues

$N_{BTA}=66$

$N_{RTA}=11$

$N_{C-B}=14$



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# Major risks / concerns

# Risks common in all RTA systems

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- Imposition of undue transaction costs for traders, investors, and governments operating in several RTA markets simultaneously.
- The rise of hub-and-spoke systems preventing cumulation of production *among* the spokes (ASEAN plus 3 etc?)
- At least some degree of discrimination/preference erosion for any given country

# Concerns - at national levels:

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- Disconnect in pursuit of trade liberalization through multilateral trade system and RTAs:
  - Policy space (investment, competition, services, IPRs, etc)
  - Market access BUT restrictive Rules of Origin
- Weak institutional dimensions
  - Consultative processes during negotiations
  - Monitoring and evaluation of implementation (no appropriate bodies – joint committees but not always functioning well)
- High number of failure to ratify

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# Managing the “noodle bowl”

# Options

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- Continue trading amid the “noodle bowl”, or pursue proactive policies that could overcome the potential noodle bowl problems and expand their market access and production possibilities
- The most feasible policy option in the short run would be to build bridges among the existing RTAs—strive to achieve some form of convergence or gradual harmonization of the various RTAs and to implement cumulation of production among them
- Starting point market access and rules of origin

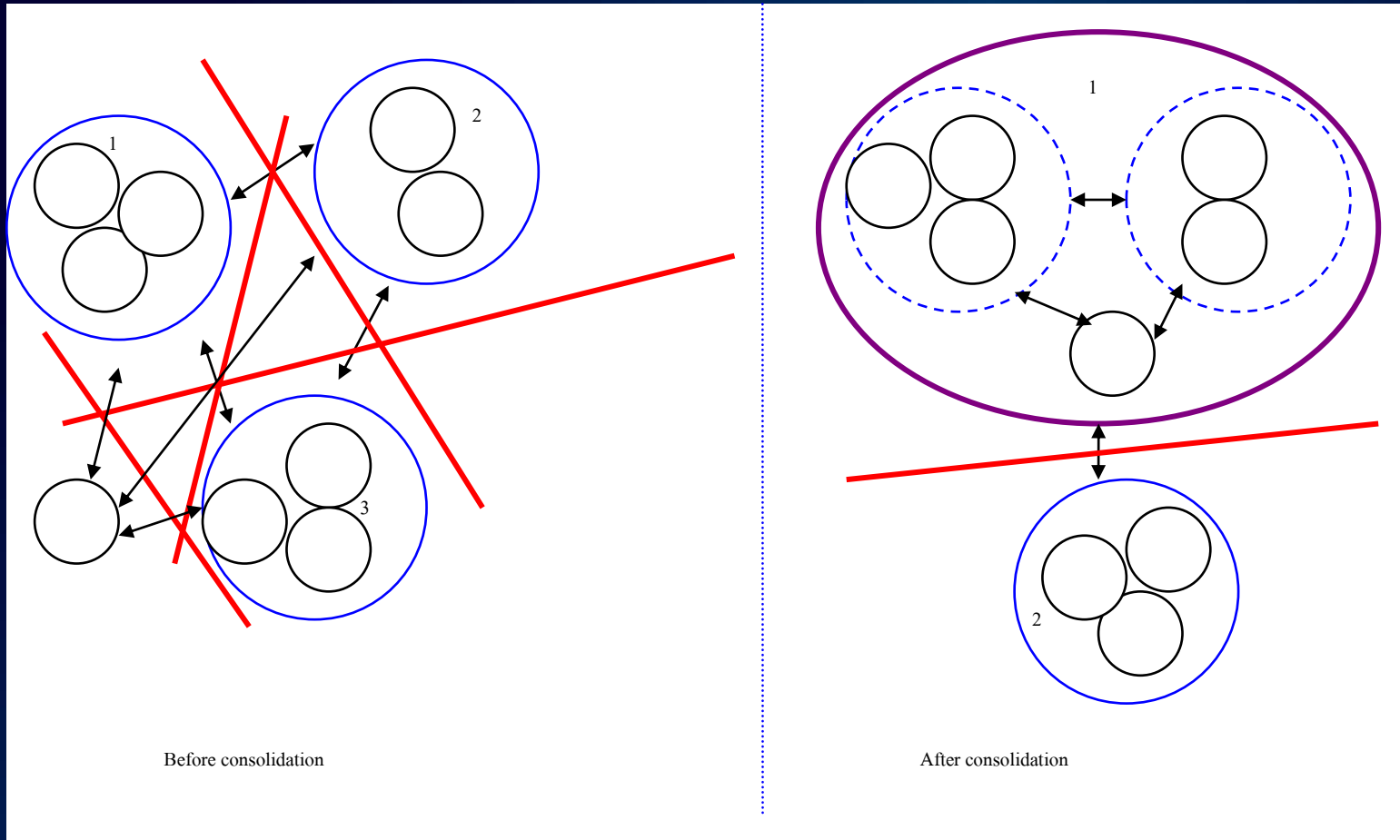


# Three tracks

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- Global – WTO and rules for ensuring that RTAs are “building blocks” (TM, notification, rules)
- Regional – consolidation /enlargement of RTAs:  
HOW?
  - Bridging, docking, rules and market access...WHAT IMPACTS?
  - impact on members vis-à-vis non-members
  - sectoral impacts
- National – inclusive decision making for growth with more balanced effects (“Trade needs to be governed to produce benefits to all.” )

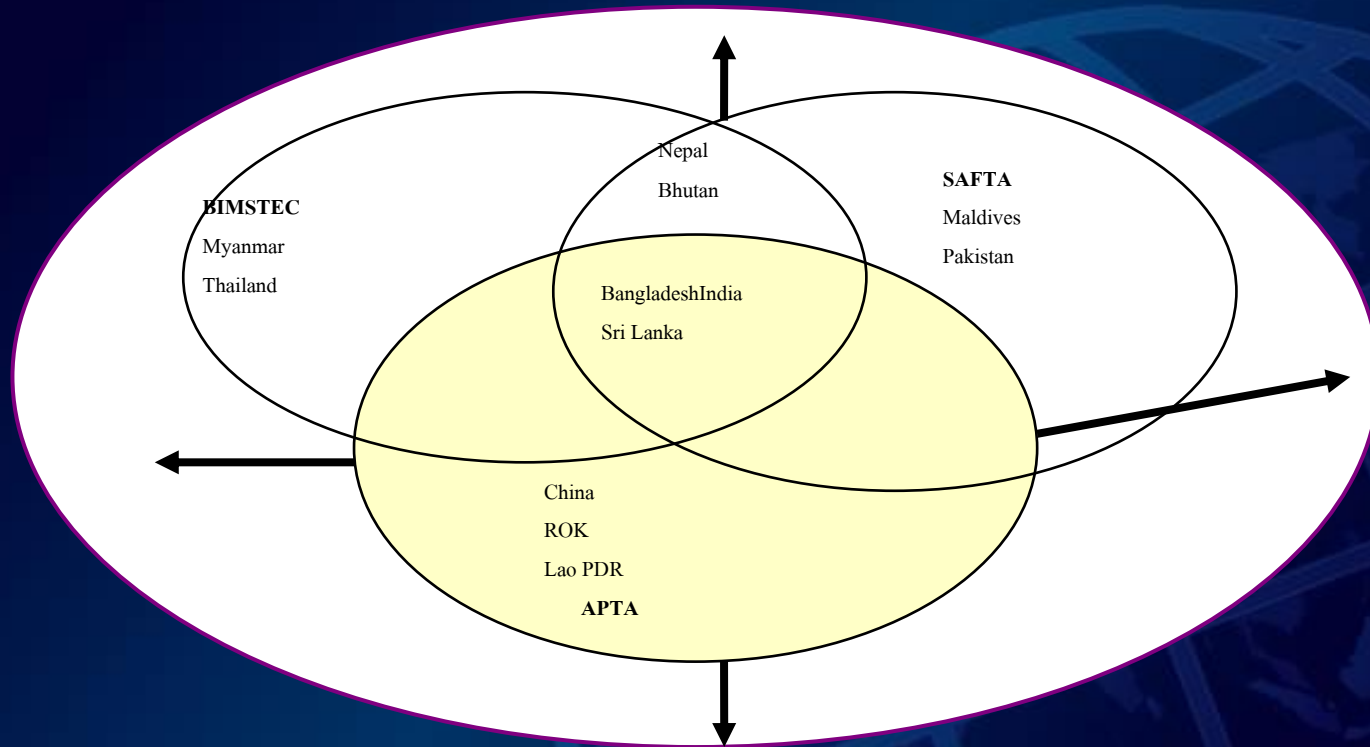
# Regional: Consolidation



friction-creating borders disappear

# Regional: Building bridges

## ● Role of APTA



# Summary

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- Appears that we have too many agreements, but are they all doing the same harm/benefit?
  - Small-small
  - Medium-small
  - Large-large
- “They are here to stay” attitude should shift towards policies of convergence /harmonization making these RTAs positively impact regional production and trade AND regional cooperation (if not integration)
- Governance

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# Thank you!

[www.unescap.org/tid/aptiad](http://www.unescap.org/tid/aptiad)

[www.artnetontrade.org](http://www.artnetontrade.org)