

An update on the preferential trade agreements of Asia-Pacific economies¹

This note discusses the status and recent developments of preferential trade agreements (PTAs) in Asia and the Pacific. It is based on information collected for and presented in the Asia-Pacific Trade and Investment Agreements Database (APTIAD).²

As of May 2017, there were 257 PTAs in force, signed, or under negotiations, which had at least one member from the Asia and the Pacific region.³ Out of a total of 186 PTAs that are in force or signed by one or more Asia-Pacific economies, there are 46 PTAs which are yet to be notified under the RTA Transparency Decision to the World Trade Organization (WTO). For these PTAs, official information available online was used to register them in the APTIAD.⁴

PTAs in APTIAD are classified into different types based on the level of depth of liberalization and integration as well as sectoral coverage. Partial scope agreements (PSAs), allowed by the WTO rules only between developing countries, have the lowest level of ambition as members offer tariff concessions on a selected number of products or sectors. PSAs contrast with free trade agreements (FTAs) in which tariffs and other trade barriers are to be eliminated on substantially all trade in merchandise goods within a reasonable length of time which typically be no longer than 10 years. Similarly, economic integration agreements (EIAs) are such agreements through which parties offer preferential (ultimately free) market access for trade in services through a substantial coverage in terms of number of sectors and mode of supply progressively. Customs unions (CUs) are also included in APTIAD. These imply a higher level of integration because parties not only eliminate trade barriers on most or all trade

APTIAD

Asia-Pacific Trade and Investment Agreements Database (APTIAD) was established by ESCAP secretariat in order to provide a useful tool for observers and stakeholders (governments, researchers and policy analysts) to monitor and analyze the development of trade agreements in this new environment. APTIAD provides detailed descriptive information on the provisions of preferential trade agreements involving one or more economies from the Asia-Pacific region that are either signed, in force or under negotiation.

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² APTIAD is freely accessible at <http://www.unescap.org/content/aptiad/>. In addition to the commentaries and short notes such as this one, the platform also offers a comprehensive Glossary of related terms. All figures in this note, unless otherwise specified, are based on data and information in APTIAD.

³ Asia-Pacific region is defined by ESCAP membership <http://www.unescap.org/about/member-states>

⁴ This explains the discrepancy between the number of PTAs with members from Asia-Pacific registered in the WTO database and in APTIAD.

in merchandise goods but adopt a common commercial policy towards third economies (including a common external tariff).⁵

The Asia-Pacific region continues to be the major contributor to the worldwide build-up of PTAs. Out of the total 274 “physical”⁶ PTAs in force globally, there are 170 (62%) that involve Asia-Pacific economies. Review of these agreements results in the following findings:

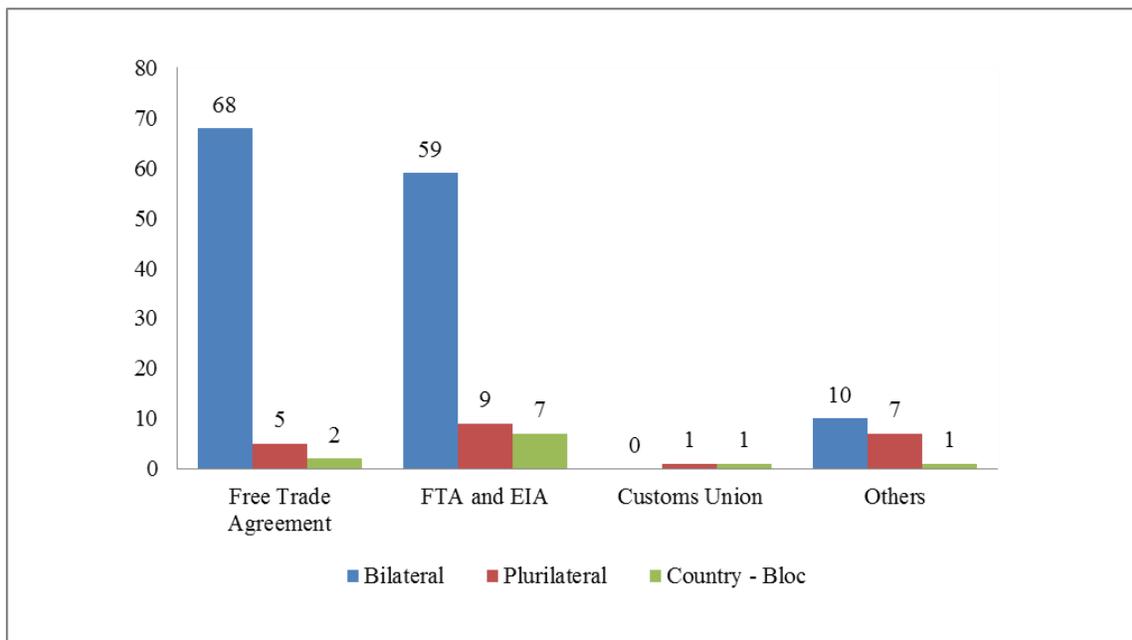
- (i) According to the above classification, 88.2% of the all PTAs in force in the region cover equal share of FTAs in goods as well as FTAs and EIAs (covering goods and services both). 10.6% of the PTAs in force are PSAs and only 1.2% of agreements are classified as customs unions. Figure 1 shows a breakdown of these agreements (PSAs appear as "Others").
- (ii) Not all the PTAs which are in APTIAD have been notified to WTO. The RTA Transparency Decision clearly lays down that the WTO members must notify the PTAs to the WTO (not only those signed but also those where they have intention to negotiate). However, of 170 PTAs that are in force, there are 32 PTAs which have not been notified to WTO. Similarly, 14 out of 16 PTA that are signed but are pending ratification⁷ and 54 out of 71 PTAs which are under negotiations; have not been notified to WTO. This suggests that the transparency provisions on RTAs in WTO have not been successfully put in place by the Asia-Pacific economies, especially in cases where PTAs are pending ratification or are still under negotiations.
- (iii) Most of the PTAs of Asia-Pacific economies are bilateral in nature (81%). Plurilateral agreements represent 13% of PTAs in force in the Asia-Pacific. The number of the trade parties involved in plurilateral agreements differs, with a maximum of 15 (Regional Comprehensive Economic Partnership, RCEP, is still being negotiated among 16 members) and minimum of 3 parties involved (Fiji, Papua New Guinea and EU FTA and Customs Union between Belarus, Kazakhstan and Russian Federation) , with an average of 7.6 members.⁷ The remaining agreements occur between an economy and an already existing trade bloc outside the region, such as the European Union, MERCado COMún del SUR (Southern Common Market or MERCOSUR) or Gulf Coordination Council (GCC).

⁵ WTO (2011) World Trade Report 2011: The WTO and preferential trade agreements: from co-existence to coherence, Geneva. While this classification is used when countries notify their agreements to the WTO, there are few PTAs that go beyond these categories in terms of depth of integration, such as common markets. Common markets provide full movement of all factors within the PTA, including labor and capital. The ASEAN Economic Community and the EAEU are two examples of economic integration processes in the Asia-Pacific region under which members are working towards the common markets.

⁶ World Trade Organization (2017), Summary tables containing WTO Figures on RTAs. Retrieved 24 May 2017, from <http://rtais.wto.org/UI/publicsummarytable.aspx>

⁷ This calculation does not include the Agreement on the Global System of Trade Preferences among developing countries (GSTP), which is a PSA with 43 members. It is in force since April 1989. It covers developing countries from Africa; Latin America and the Caribbean; and Asia.

Figure 1: Breakdown of PTAs in force, by type and scope (as of 31 May 2017)



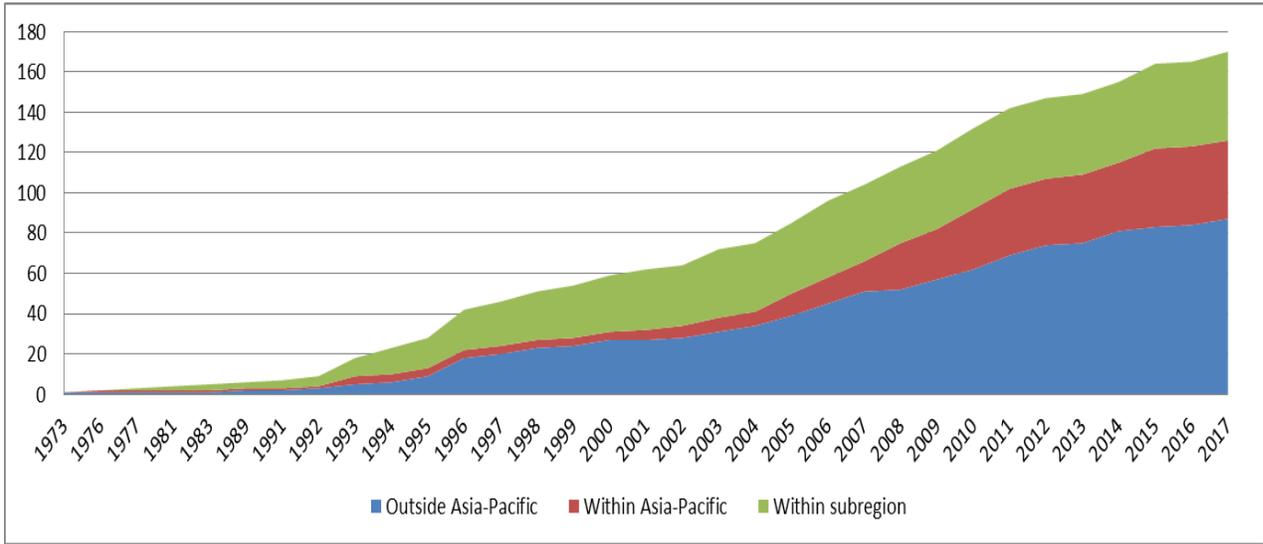
Source: ESCAP calculation based on data downloaded from APTIAD

- (iv) Until early 1990s most of PTAs were signed among the economies within the sub-region they belonged to.⁸ Since then, focus gradually shifted to the other economies of the region as well as outside the Asia-Pacific region. As of now, there are 87 PTAs (51% of total PTAs of Asia-Pacific economies) which are in force with economies outside the region. The trend to negotiate PTAs with economies outside the region (figure 2) shows the efforts by policymakers to seek additional market access to outside the region after consolidating the PTAs within the region.
- (v) Noteworthy, as shown in figure 3, more and more PTAs in force are between developing economies, providing a dynamic force for South-South trade and cooperation. 72% of PTAs enacted by Asia-Pacific developing economies have membership including only other developing economies.⁹

⁸ The detailed list of sub-regional composition of economies is available at <http://www.unescap.org/sites/default/files/Economic%20and%20Social%20Survey%20of%20Asia%20and%20the%20Pacific%202014.pdf>

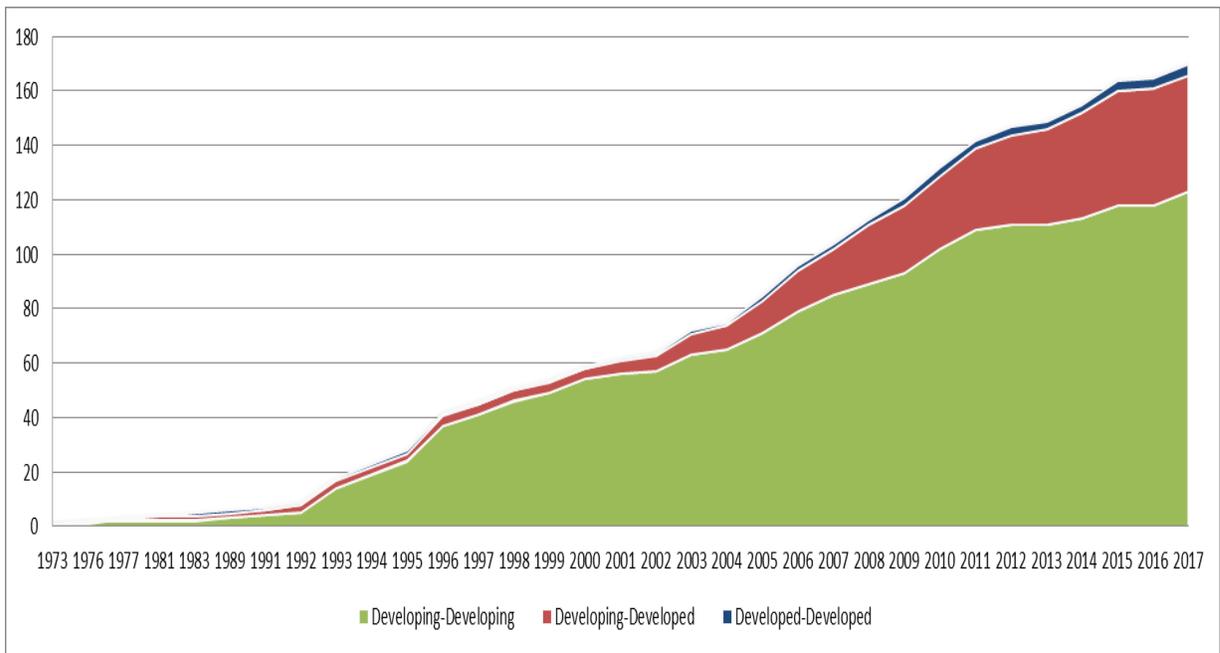
⁹ This is also due to the fact that in the Asia-Pacific only Australia, Japan and New Zealand are developed countries.

Figure 2: Cumulative number of PTAs (notified and non-notified to WTO) put into force by Asia-Pacific economies, by geographical region, 1971-May 2017)



* Asia-Pacific members of ESCAP are grouped into five sub-regions: East and North-East Asia (ENEA); North and Central Asia (NCA); South-East Asia (SEA); South and South-West Asia (SSWA); and the Pacific.
 Source: ESCAP calculation based on data downloaded from APTIAD

Figure 3: Cumulative number of PTAs (notified and non-notified to WTO) put into force by Asia-Pacific economies, by level of development of parties, 1971-may 2017)



Source: ESCAP calculation based on data downloaded from APTIAD

Trade with PTA partners

The data on trade with PTA partners presented here are based on the overall trade between the PTA partners as most of the economies in the region do not record or publish the preferential trade data. The total trade among PTA partners in real sense is significantly higher than the actual preferential trade among PTA partners due to several factors some of which are lack of information to the exporters, all the items traded are not covered in the tariff concession list (many items are in sensitive or negative list), some products do not meet the criteria relating to preferential rules of origin etc.¹⁰ The extent to which economies in the Asia-Pacific region trade with their PTA partners varies considerably (figure 4). With a high number of PTAs, the Asia-Pacific economies as a whole, export an average of 42.6% of their global exports and import only 50% of global imports to/from their PTA partners during 2014-2016.¹¹ This is significant as for the first time for the Asia-Pacific economies their total imports from PTA partners surpassed half of their global imports, especially since ESCAP (2016)¹² observed that Asia-Pacific increased its share of world exports in 2015 to 40% while its share of imports declined to 36% compared to 2014.

Bhutan leads the ranking of Asia-Pacific economies that exported the most to its PTA partners (96.5%) and is followed by Myanmar (93%), Brunei Darussalam (91.8%), Lao People's Democratic Republic (91%) and Afghanistan (87.75%). Least developed countries (LDCs) in the region with a very high share of their exports to the markets of their PTAs partners. This is mainly on account of the fact that these least developed countries have very limited number of items to exports as well as trading mostly with their neighbouring countries, which are their largest trading partner. The Republic of Korea and Australia also recorded once again a high share of exports directed to their PTA partners (77% and 75% respectively), but saw a decline of 2 percentage points in their share from the previous period. Some Pacific Islands Countries such as the Cook Islands, Kiribati (LDC), Marshal Islands, the Federated States of Micronesia, Tuvalu (LDC) and Vanuatu (LDC) continued to show a very low share of exports with their PTA partners. These Pacific Islands have agreements only with other economies of the Pacific sub-region, including Australia and New Zealand. Republic of Marshall Islands still remains at the bottom of the list; with a reported 0.3% in exports while Mongolia reports just as low numbers in exports as previous years, at just 0.4%. This is also due to the fact that both of them have implemented only one PTA.

On the import side, the Lao People's Democratic Republic remains at the top with average highest import share from the PTA partners comprising 91% of its total imports during the period 2014-2016. It is followed closely by Myanmar and Bhutan at 91% and 88% respectively. Nauru is the next which imports 84.6% from its PTA partner during this period. Indeed, following the Lao People's Democratic Republic, other least developed countries also exhibit a high share of imports from PTA partners. Non-LDC ASEAN Member States also showed a high share of imports sourced from their PTA. Marshall Islands, the Federated States of Micronesia and Mongolia are once again in the bottom of the ranking.

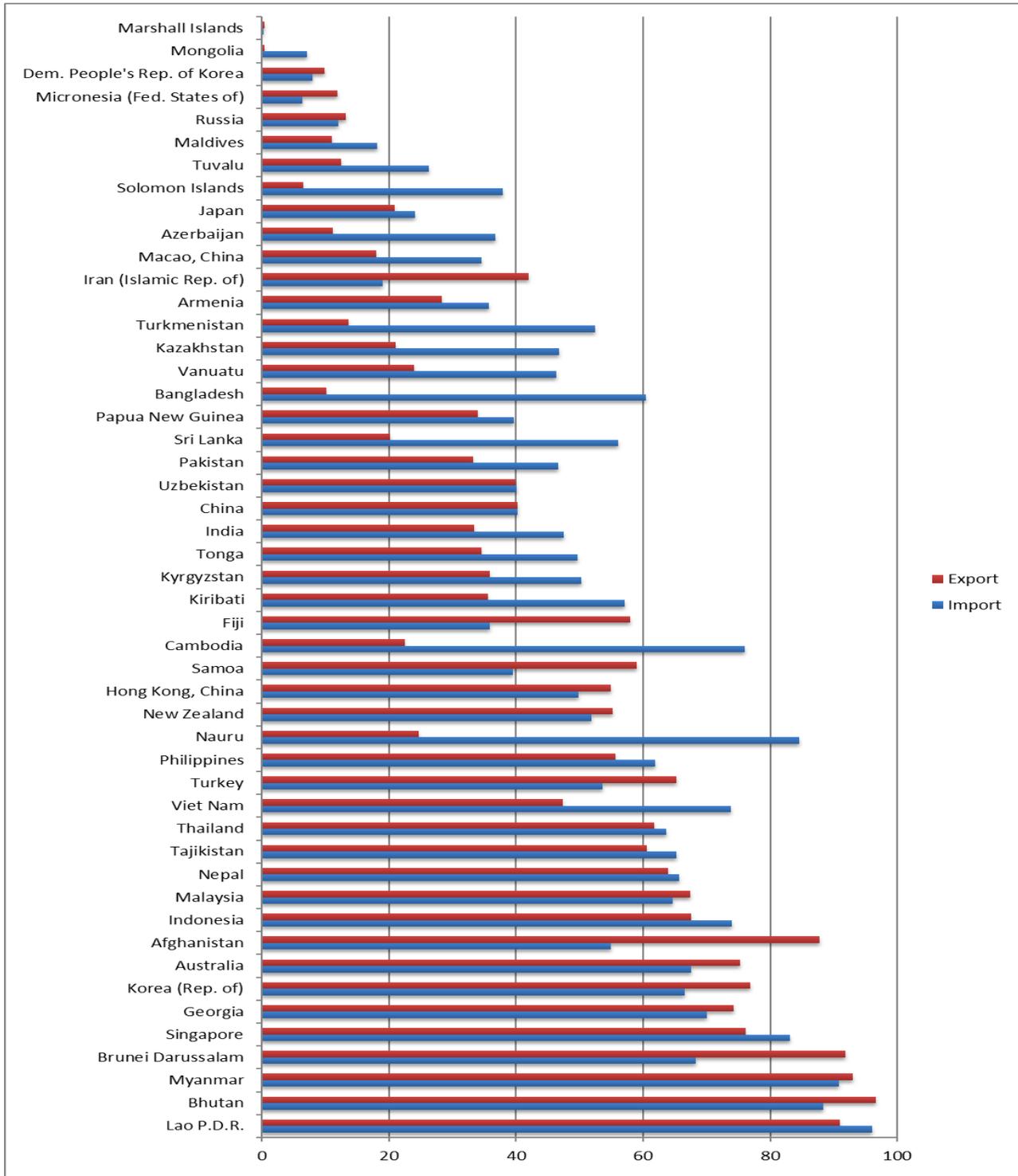
¹⁰ Ing, Lili Yan and Urata, Shujiro (August 2015), The uses of FTAs in ASEAN: Survey-based Analysis, ERIA. Available at <http://www.eria.org/ERIA-RPR-FY2013-5.pdf>

¹¹ This average includes American Samoa, French Polynesia, Guam, New Caledonia, Northern Mariana Islands, Palau and Timor-Leste which have no PTA in force and, therefore, no share of trade with PTA partners.

¹² ESCAP (2016), Asia-Pacific Trade and Investment Report

Comparing the shares of trade done with the PTA partners, one observes that in the case of certain economies the shares on import and export side are not symmetric. For instance, 84.6% and 76%% of imports of Nauru and Cambodia, respectively, come from PTAs partners, while their share of exports to PTA partners' accounts for only 24.6% and 22.4%, respectively. Other economies with a high difference between their import and export share with PTA partners are Bangladesh, Turkmenistan, Azerbaijan and Sri Lanka.

Figure 4: Share of trade with PTA partners (percentage, average for 2014-2016)



Source: ESCAP calculation based on United Nations Comtrade data from WITS and data downloaded from APTIAD accessed in July 2017.

Sub-regional composition of PTAs and trade

Asia-Pacific members of ESCAP are grouped into five sub-regions: East and North-East Asia (ENEA); North and Central Asia (NCA); South-East Asia (SEA); South and South-West Asia (SSWA); and the Pacific. Not much change in the pattern has been observed at the sub-regional level since 2015. Till May 2017, the economies in NCA sub-region has most number of PTAs in force (56 PTAs), followed by the economies in ENEA (49) and SEA (45). However, as depicted in figure 5 (column a), while the share of PTAs with partners within the sub-region with respect of total PTAs is higher in NCA (43% of all PTAs in force), the share is very low in the case of ENEA and SEA (8% and 4% respectively).

In the case of number of PTAs with economies from the Asia-Pacific region as a whole, the Pacific sub-region has the highest share (79.2%); nonetheless this is explained by the extensive network of PTAs concluded by Australia and New Zealand.¹³ The Pacific sub-region is followed by SEA (64.4%) and ENEA (57.1%). In contrast, SSWA and NCA sub-regions have 51.2% and 46.4% of PTAs in force with economies within the Asia-Pacific region. Furthermore, it should be highlighted that, for NCA, the PTAs with economies outside the Asia-Pacific are limited to bilateral and plurilateral agreements with Belarus, Moldova, Ukraine and Serbia. Likewise, for SSWA, majority of the PTAs with economies outside the Asia-Pacific are bilateral and country-bloc agreements negotiated by both Turkey and India. It should be noted that a large share of the trade in this sub-region comprises of trade agreements from India and Turkey.

The pattern in the share of PTAs by sub-region contrasts with the pattern in the share of trade, measured in terms of imports (average, 2013-2015). Except for ENEA, almost all sub-regional trade is between sub-regional PTAs partners. This is explained by the fact that all sub-regions, barring ENEA, have at least one plurilateral PTA that has nearly all the economies from those sub-regions as members.¹⁴ Though ENEA and SEA have less PTAs with economies within their sub-regions (both in absolute and relative terms), the share of intra-sub-regional trade is the highest (figure 7, column b). In the case of ENEA, 33% of total imports are sourced from the sub-region (from which more than half came from PTAs partners). SEA sources 23.9% of their total imports from the sub-region, mostly under ASEAN Trade in Goods Agreement (ATIGA). In contrast, the sub-region with more PTAs (NCA) shows that only 8.02% of total imports came from sub-regional economies. For SSWA and the Pacific, only 4.8% and 5.15% of total imports comes from sub-

¹³ The Pacific sub-region has 23 PTAs in force, of which 5 PTAs are between economies within the sub-region and 13 PTAs are between economies of the sub-region with economies from other sub-regions of Asia-Pacific. Of the 18 PTAs of the Pacific sub-region with Asia-Pacific economies as a whole, only two do not involve Australia-New Zealand (MSG and PICTA). The rest of PTAs has at least either Australia or New Zealand as one of the Parties of the PTA (SPARTECA, FTA Australia-Papua New Guinea and FTAs concluded by these two economies with ASEAN as a bloc and with other economies of the Asia-Pacific region).

¹⁴ In the case of SEA, all economies of this sub-region are members of ASEAN, except Timor-Leste. In the case of SSWA, all economies of this sub-region are members of SAARC, except Turkey. In the case of the Pacific, all economies of this sub-region are members of SPARTECA, except ESCAP Member State Palau and ESCAP Associate Members American Samoa, French Polynesia, Guam, New Caledonia and Northern Mariana Islands. In the case of NCA, all economies of this sub-region are members of either the CIS Agreement (in force since 1994) or the Treaty on Free Trade Area between members of the CIS (in force since 2012).

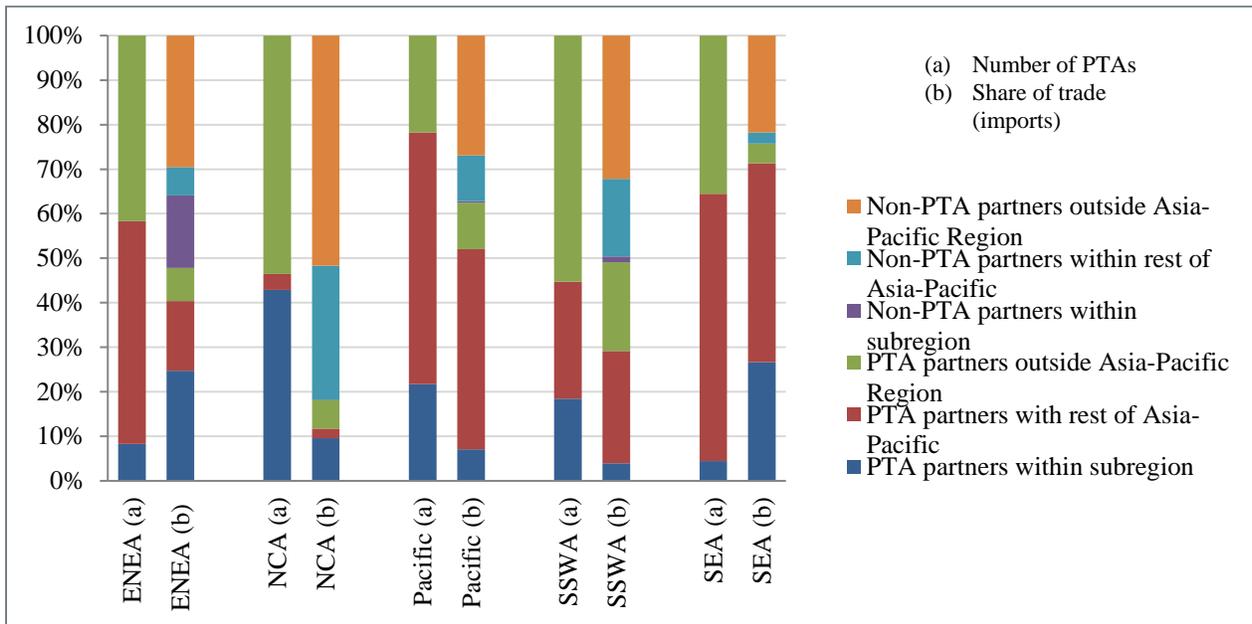
regional economies, respectively. Therefore, it is evident that merely signing PTAs does not necessarily enhance trading opportunities with those PTA partners.

With respect to trade with the rest of the Asia-Pacific region, the Pacific sub-region imports the most from other Asia-Pacific economies. The share of imports from rest of Asia-Pacific economies (excluding the Pacific sub-region) in total imports is 47.7%. This is due to the fact that a majority of the trade agreements in this sub-region are with Australia and New Zealand, of which 81% of imports is from PTA partners. This high share is explained by the fact that the two biggest economies of the sub-region – Australia and New Zealand - have PTAs with their main trade partners in the rest of the Asia-Pacific region.¹⁵ The Pacific sub-region is followed by SEA sub-region (42.5% of total imports, of which 93.4% came from PTA partners). On the other hand, while 23% of total NCA imports comes from the rest of Asia-Pacific economies, only 7.1% was sourced from PTA partners. In the case of ENEA sub-region 19% of total imports came from other Asia-Pacific economies, of which 68.4% came from PTA partners. For SSWA sub-region, 32.6% of total imports was sourced from the rest of the Asia-Pacific, 48.5% of which came from PTA partners.

As for share of trade from economies outside the Asia-Pacific region, NCA is the sub-region with the higher share with respect to total imports (69.0%), but also the sub-region with less trade transacted with PTA partners (only 5.7% of imports from outside the Asia-Pacific region). NCA is followed by SSWA (62.6%), but this sub-region has the highest level of imports coming from PTA partners (24%). In the case of the Pacific sub-region, 47.2% of total imports came from economies outside Asia-Pacific region, of which 17.4% came from PTA partners. 47% and 33.4% of total imports of ENEA and SEA, respectively, were sourced from economies outside Asia-Pacific region, of which 10.6% and 11.6% came from PTA partners.

¹⁵ Australia and New Zealand have bilateral FTAs in force with China, Republic of Korea, Malaysia, Singapore and Thailand. In addition, Australia has an FTA in force with Japan. Moreover, both economies and ASEAN as a bloc have an FTA in force. Both Australia and New Zealand signed TPP too.

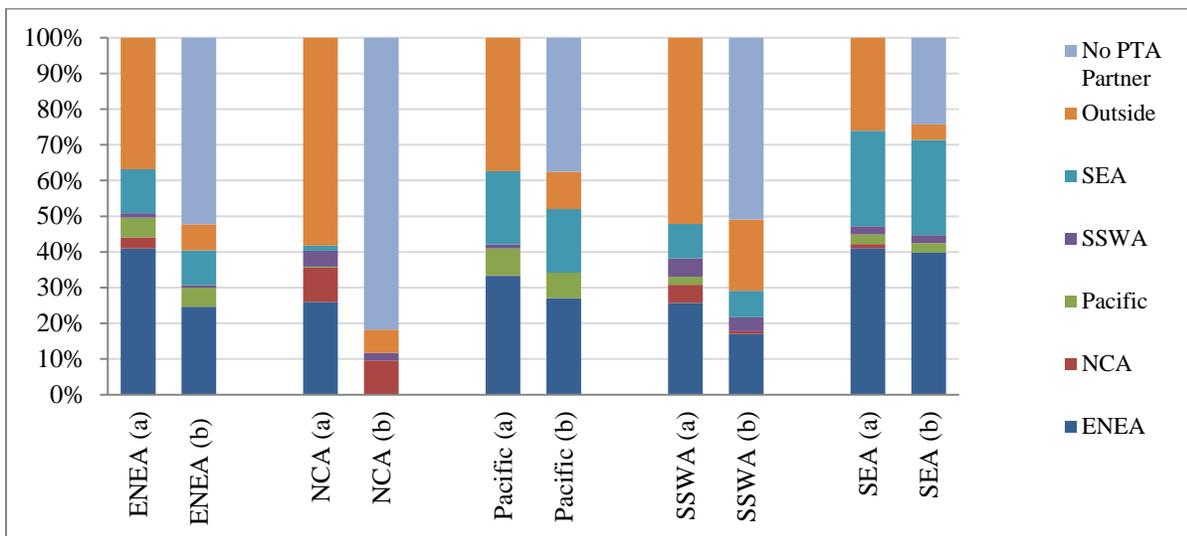
Figure 5: Number of PTAs and related trade shares by sub-regions



Source: ESCAP calculation based on United Nations Comtrade data from WITS and data downloaded from APTIAD accessed in May 2017

It is important to note that all Asia-Pacific sub-regions, ENEA sub-region is the main regional trade partner, due to trade with China (figure 6). On average, ENEA sources 52% of total imports from all five Asia-Pacific sub-regions and the rest (48%) is from the outside of the region. After ENEA, SEA is the second most important trade partner for all sub-regions (on average, 13% of total imports), except NCA, coming in as the region with the lowest total exports (6%). This is so as NCA is the sub-region less integrated with the Asia-Pacific region. NCA sub-region has a low participation in intra-regional trade and NCA economies do not have PTAs with Asia-Pacific economies outside their sub-region, except for two PTAs with some countries in the SSWA sub-region (the Economic Cooperation Organization Trade Agreement-ECOTA and the bilateral FTA Georgia-Turkey and Georgia-European Union). However, this could change through the establishment of Eurasian Economic Union, a five member state union with the inclusion of Belarus, which is looking to expand regional trade rapidly. The possibility of trade expansion can be seen by the 5% growth in total trade in NCA from the previous year. The performance of NCA contrasts with SEA. 66% of total SEA imports comes from Asia-Pacific economies (mainly from SEA itself and ENEA) and almost 97% of these imports originates from economies with which SEA economies have a PTA in force.

**Figure 6: Import intensity, by sub-region
(Total regional imports and preferential regional imports)**



Note: (a) Total imports (with the region and outside); (b) Trade with PTA partners of different sub-region and outside the region; and with non-PTA partners

Source: ESCAP calculation based on United Nations Comtrade data from WITS and data downloaded from APTIAD accessed in April 2017

Latest developments in regionalization trends: mega-regionals losing their appeal

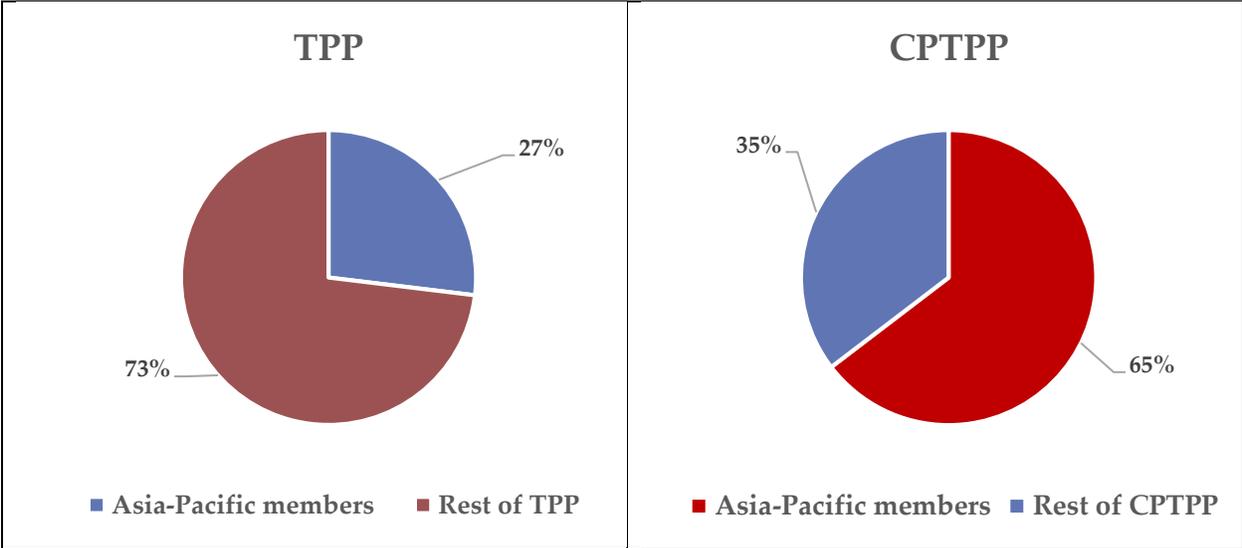
Under the deadlock of WTO Doha round negotiations, some of the major trading forces, but also other economies tried to insert a new dynamism through starting to negotiate so-called mega-regional agreements, mostly at the inter-continental levels. One of those was the Trans-Pacific Partnership Agreement (TPP) signed in February 2016, which was expected to not only re-start growth of global trade but also change the way in which trade rules are written. TPP has several elements which go much beyond WTO rules and these seemed to be the ‘new orders’ of the international trade. However, after the new Presidency in USA, the USA decided to withdraw from the TPP and this has generated a debate on fate of TPP and if the rest of TPP members would implement the agreement in its present form or an amended form. In his ‘American First’ approach, the US policy now aims to renegotiate many of its PTAs to make them more ‘fair’ to American interest in terms of its expanding its exports, employment generation and restricting imports. For some of the Asia-Pacific economies that joined TPP, the main interest to them was getting preferential market access to USA and with US’s withdrawal the TPP hanged in balance.

However, other TPP members like Australia, Japan and New Zealand showed interest in moving ahead with its implementation even with a configuration of TPP minus one (TPP – USA). In November 2017, in the margins of the APEC meeting in Da Nang, Vietnam, the TPP ministers of Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam, agreed to rename TPP as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and also on the outline of the agreement as well as set of provisions which will be suspended. The ministers also tasked officials to continue their technical work, including continuing their efforts toward finalising those items for which consensus has not yet been achieved, and legal verification of the English text and translation, to prepare finalised

text for signature. With the recent developments on CPTPP, the pressure on another mega-agreement of the region the Regional Comprehensive Economic Partnership Agreement, a 16-nation membership which is a consolidation of ASEAN+1 agreements has increased. The RCEP is experiencing slow progress in negotiations, with countries facing difficulties in achieving a balance among concessions. Though it was slated to be concluded in 2017, the negotiations will continue in 2018.

There is also an overlap between members of RCEP, TPP and CPTPP. The common membership makes up 19% of RCEP’s combined GDP and 8% of RCEP’s combined population whereas in they constitute 27% of TPP’s combined GDP and 35% of its combined population. Without the US, in CPTPP, their share increases to 65% (combined GDP) and 57% (combined population) (figure 7). It would be observed that without the US, the share of the Asia-Pacific economies increases in the CPTPP, both in terms of GDP (by 38 percentage points) and population (by 22 percentage points). It is clear that the market access opportunities to the Asia-Pacific economies in CPTPP though still exists, but diminishes largely in comparison to TPP. In addition, these Asia-Pacific economies are already party to other bilateral or plurilateral PTAs among themselves as well as come of other CPTPP members and thus additional market access will be available only on such items/sectors which are not liberalised in these existing PTAs, but will be liberalised in CPTPP, which is not expected to be a large share.

Figure 7: GDP share of Asia-Pacific economies (2015) in TPP and CPTPP



Source: ESCAP calculation from data downloaded from World Bank (available at <https://data.worldbank.org/indicator>)

Meanwhile in Europe, United Kingdom’s decision to withdraw from the European Union has posed a big challenge and dilemma for not only UK but its other trading partners as well.¹⁶ UK is

¹⁶ International Centre for Trade and Sustainable Development (2017). *As Brexit Preparations Continue, May Highlights UK’s Trade Future and Europe Ties*, vol. 21, No.6. Retrieved April 13th 2017 from <http://www.ictsd.org/bridges-news/bridges/news/as-brexit-preparations-continue-may-highlights-uks-trade-future-and-europe> .

scheduled to depart at 11pm UK time on Friday 29 March, 2019. Talks were held on three aspects of how Brexit will work - focusing on how much the UK owes the EU, what happens to the Northern Ireland border and what happens to UK citizens living elsewhere in the EU and EU citizens living in the UK. The UK also wants to talk about future trade relations - and a plan for a two year "transition" period to smooth the way to post-Brexit relations. After months of negotiations the two sides have just reached agreement on those three issues. There is now a guarantee that there will be "no hard border" between Northern Ireland and the Republic and that the "constitutional and economic integrity of the United Kingdom" will be maintained. EU citizens living in the UK and vice versa will have their rights to live, work and study protected. The agreement includes reunification rights for relatives who do not live in the UK to join them in their host country in the future. On financial settlement – though no specific figure is in the document but it is estimated that it will be between £35 billion and £39 billion, including budget contributions during a two-year "transition" period after March 2019¹⁷. The UK will have three issues to deal with, establishing trade regime with the rest of EU membership (in the same terms as was before or changed), the PTAs it was privy to while it was a member of EU and its commitments as UK in WTO.

The UK was one of the original members of the 1947 General Agreement on Tariffs and Trade (GATT), which eventually evolved into the WTO in 1995. The UK's individual membership was merged with the EU over the same time period and the commitments became consolidated EU commitments to WTO rather than the UK's commitments. With Brexit, the UK as well as the EU will need to negotiate new commitments and thus revise their schedules in the WTO. This process is very complicated and challenging. The UK will have to painstakingly negotiate terms of its commitments in goods and services and any other country-specific obligations with each and every one of the 164 other members. The simplest model will be that the UK adopts exactly the same obligations that were taken by EU, yet since the WTO operates by consensus, any single member can torpedo this process which will then hamper UK's trade interests. Even if the UK is allowed to replicate the same schedules it had as an EU member, the process to notify them to WTO and ratify through their internal process will be far from quick and simple. It is yet not clear what will be the situation during this transition period.

As a member of EU, the UK had free access to other EU members' markets as well as the 41 PTAs to which EU is a party. With the Asia-Pacific economies, the EU has 6 PTAs in force, 3 signed and pending ratification while 9 are under negotiations (table 2). Leaving the EU means that UK will have to negotiate new trade agreements with these economies, which inevitably will be tedious and time consuming. Also, the UK would need to negotiate a bilateral trade deal with the EU bloc; its major trading partner accounting for 58% of UK's imports and 48% of its exports¹⁸.

¹⁷ Source: <http://www.bbc.com/news/uk-politics-32810887>

¹⁸ Source: <http://blogs.lse.ac.uk/brexit/2016/03/04/leaving-the-eu-would-mean-renegotiating-more-than-100-trade-agreements/>. Accessed on 15th May 2017.

Table 1: Trade Agreements with European Union

Agreements	Members	Current Status
Customs Union Turkey – European Union	Turkey; European Union	Entry into Force 1996
FTA/EIA Armenia – European Union	Armenia; European Union	Entry into Force 1999
FTA Fiji-Papua new Guinea-European Union (EU)	Fiji; Papua New Guinea; European Union	Entry into force 2009
FTA Korea- European Union	Republic of Korea; European Union	Entry into force 2011
FTA/EIA Georgia – European Union	Georgia; EU	Entry Into Force 2015
FTA/EIA Vietnam – European Union	Vietnam; EU	Signed in 2016
FTA/EIA Canada – European Union	Canada; EU	Signed in 2016
FTA/EIA Singapore – European Union	Singapore ;EU	Signed in 2012
FTA/EIA The Association of Southeast Asian Nations – European Union	ASEAN; EU	Under Negotiations since 2007, paused in 2009
FTA/EIA India – European Union	India; EU	Under Negotiations since 2007
FTA/EIA Azerbaijan – European Union	Azerbaijan; EU	Under Negotiations since 2010
FTA/EIA Indonesia – European Union	Indonesia; EU	Under Negotiations since 2016
FTA/EIA Japan – European Union	Japan; EU	Under Negotiations since 2013
FTA/EIA Malaysia – European Union	Malaysia; EU	Under Negotiations since 2010
FTA/EIA New Zealand – European Union	NZ;EU	Under Negotiations since 2015
FTA/EIA Philippines – European Union	Philippines; EU	Under Negotiations since 2016
FTA/EIA Thailand – European Union	Thailand; EU	Under Negotiations since 2013

Source: ESCAP, based on data downloaded from APTIAD

There are three scenarios that appear for UK to negotiate PTAs with partners outside the EU after Brexit:¹⁹ (a) Undertake same level of commitments as EU (EU zero); (b) Negotiate new agreements which are more liberal (EU plus); or (c) Negotiate new agreements which are more conservative (EU minus).

The first option raises question about the benefits of UK's Brexit from a trade perspective, in particular since the procedural burdens to get domestic legislations passed and then follow up with the notification procedure, which are very onerous, will impede the UK's trade interests during the transition period between the real exit and implementation of these commitments after domestic ratification. The other two scenarios would mean *de novo* negotiations of PTAs. This will be time consuming and even more onerous. It is not sure if UK will have so much resources to renegotiate some 50 PTAs and WTO commitments simultaneously. The UK government would have to put forth any agreement to their national parliament for its ratification - a rather lengthy process which will come after long negotiations. The biggest risk will be the transition period, when other countries may stop giving the benefits to UK that they are giving to the EU until new agreements are reached.

Conclusion

Not many changes in the PTAs landscape have happened between August 2016 and May 2017. Only 5 PTAs entered into force during that period, illustrating the slow pace in PTA negotiations. It is evident that as the PTAs become more comprehensive, concluding the negotiations and implementing them takes a longer time. Yet, trade with PTA partners has shown positive sign despite global recessionary trend in trade in 2016. It is for the first time that we observed that the import share for Asia-Pacific economies from their PTA partners reached 50% mark. While this figure does not reflect the actual preferential imports, it illustrates the large potential from full liberalization through PTAs.

TPP generated a lot of attention and enthusiasm among the governments as well as research community as a "new generation" agreement. However, the exit of USA from the agreement raised doubt about the future of such agreements, although other TPP members are now moving ahead with the CPTPP. Efforts by some of TPP members to move ahead with bilateral PTAs are of some concern, with potential for further increasing the complexity of the 'noodle-bowl' of agreements.

¹⁹ Scenarios of trade negotiation outcomes with EU members are likely to be more limited, as UK is likely to lose at least some the market access to the EU it currently enjoys after Brexit.

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