Features of RTAs

In Asia and the Pacific

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Outline of this presentation

This presentation will cover:

- Trends and developments in RTAs in Asia and the Pacific:
  - Trends in the creation of new RTAs
  - Changes in the patterns and nature of the RTA landscape (contents of RTA and number of members)
  - The relevance of RTAs (in terms of share of imports or exports, etc.)
- Analysis of present RTAs, in terms of their approach to goods and services liberalization, IPRs, etc.

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Trends and Development

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RTAs in Asia: by the numbers

Asia-Pacific economies still lean in the global process of establishing new trade agreements:

- 156 out of 262 RTAs in implementation worldwide
- On average 7.1 RTAs in implementation per economy
- Out of the 231 agreements associated with Asia-Pacific economies, 156 are in force

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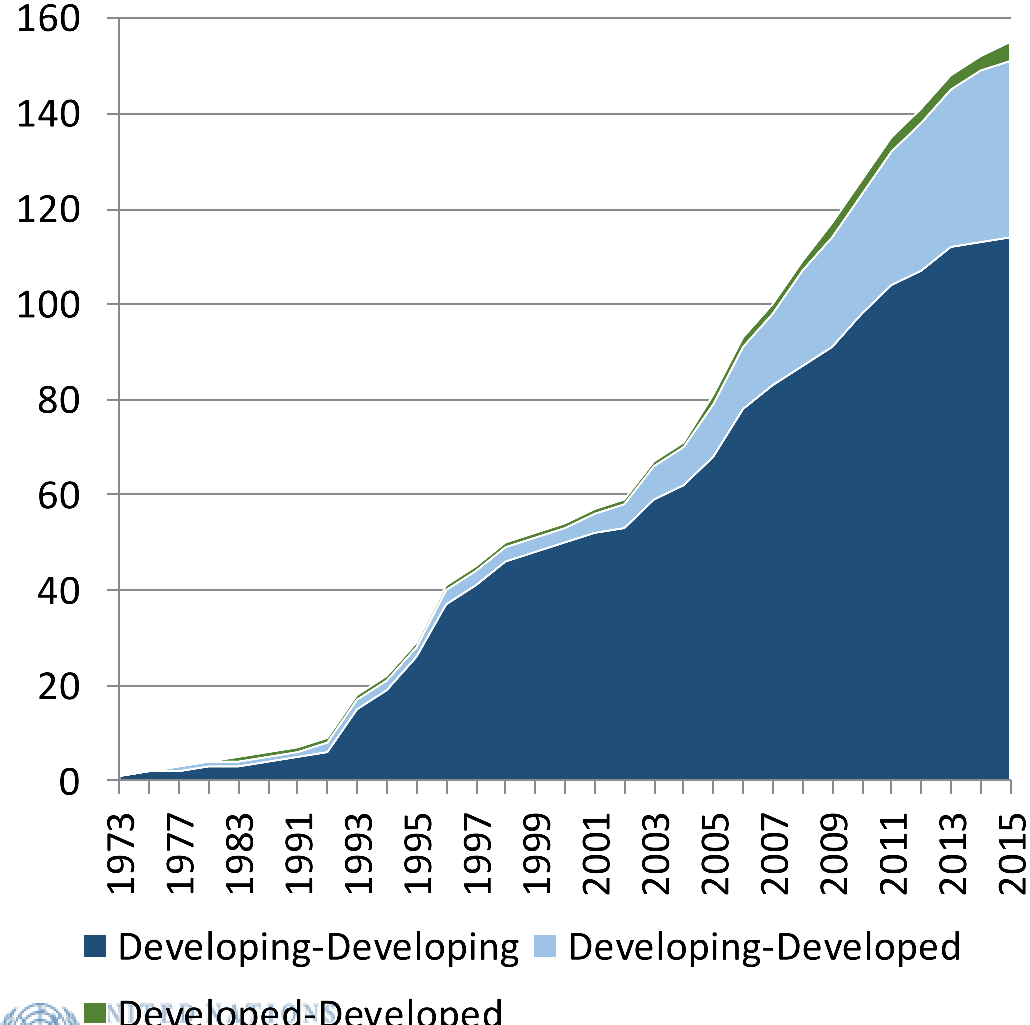
Intra- and extra-regional deals



Many AP economies continue to pursue RTAs with partners:

- Most RTAs are among developing countries in the region
  - However, new S-S deals are growing at a diminishing rate
  - 9 agreements per year (2005-2009) → 6.5 trade agreements per year (2010-2014)
- AP economies are increasingly pursuing deals with extra-regional partners

Preference for bilateral agreements?

The preference among the Asia-Pacific economies has been to sign bilateral deals:

- 124 out of existing 156 agreements are bilateral
- 57 out of 124 are with economies outside of Asia-Pacific
- Even within plurilateral agreements, countries still continue to sign bilateral agreements. (e.g. India with members in the South Asian FTA)
- Among the agreements currently being negotiated by AP countries, the majority are bilateral (32)

What about plurilateral deals?

23 plurilateral trade agreements with an average of 9.7 members per agreement:

- In most cases these deals coincide with the sub-regional blocs, which tend to have broader goals than just trade expansion (ASEAN, PACER+, and SAARC)
- Min. 5 of them comprise basically the same economies but reflect the different stages of their attempt to establish regional blocs
  - Some are inactive or defunct because the lack of effort to annul bilateral agreements between the member states

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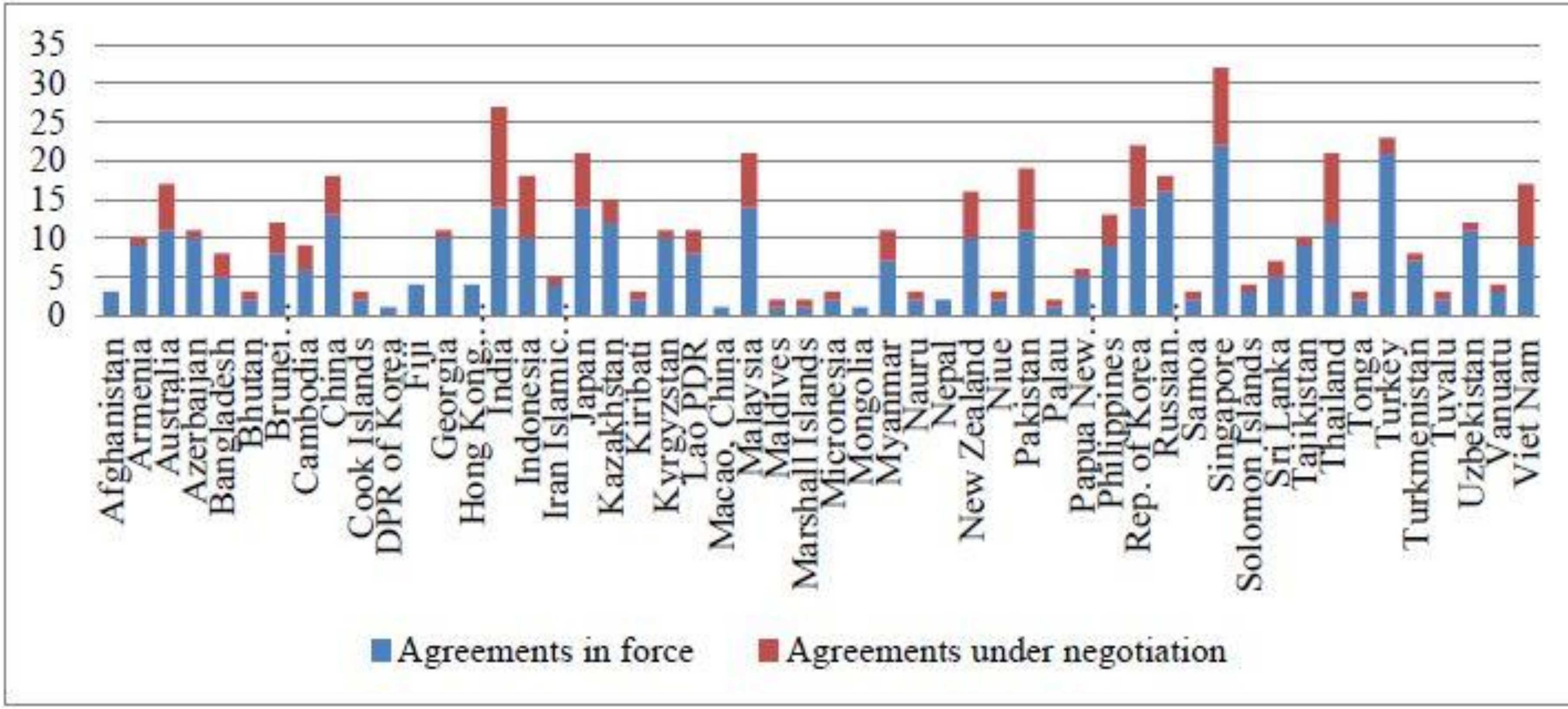
RTAs: by countries



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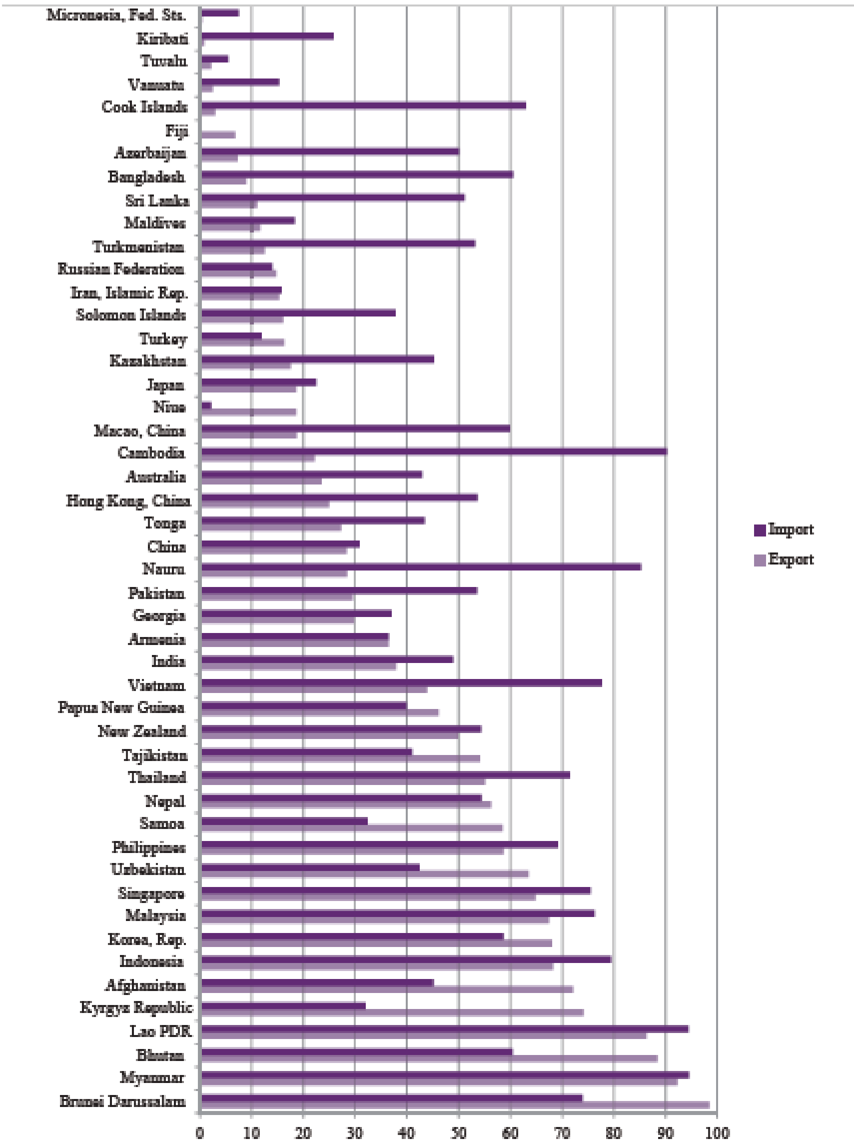
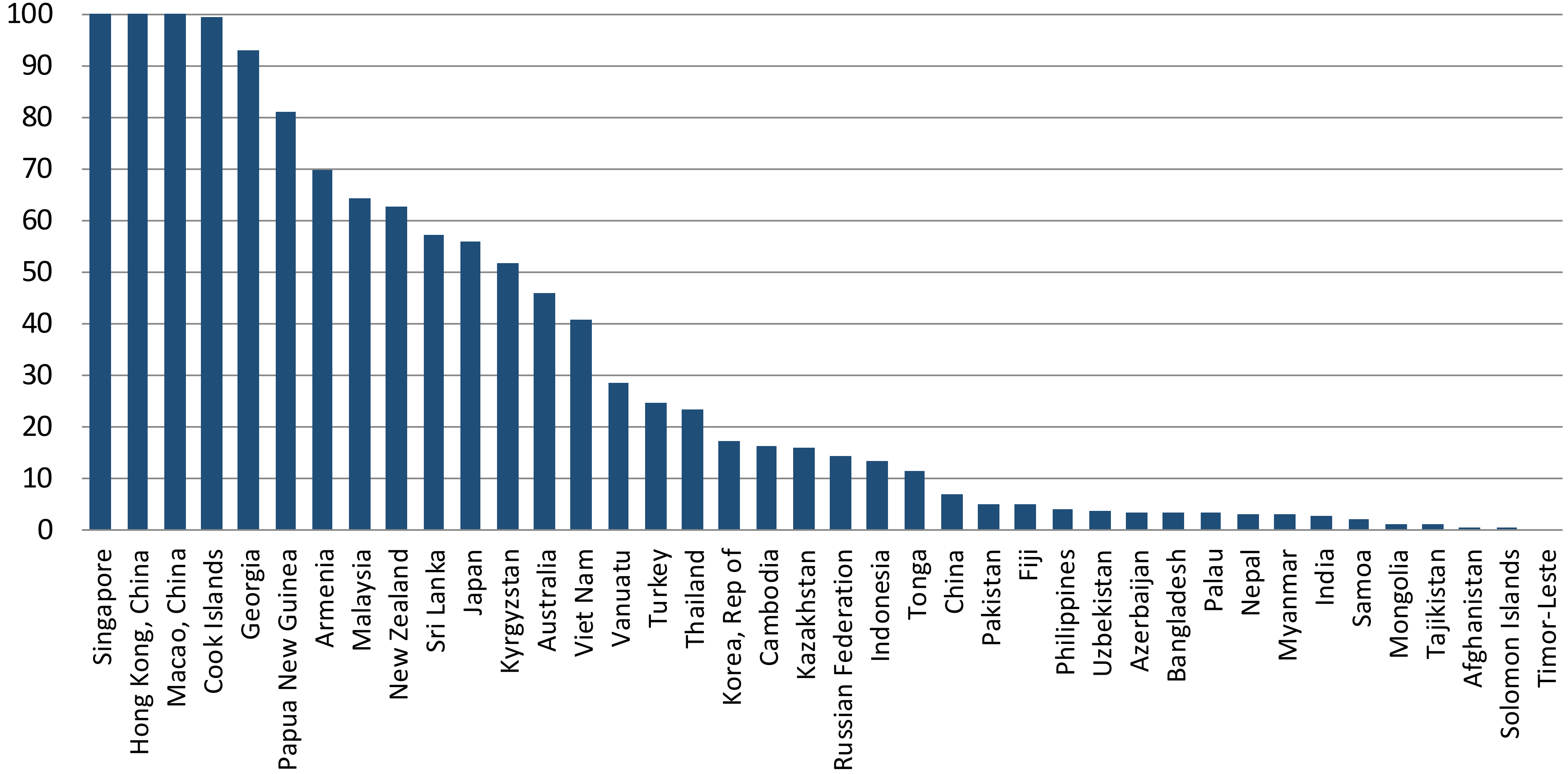
AP countries: trade with PTA partners



Share of tariff lines with zero duty on total non-ag merchandise imports, by Asia-Pacific economy, 2014



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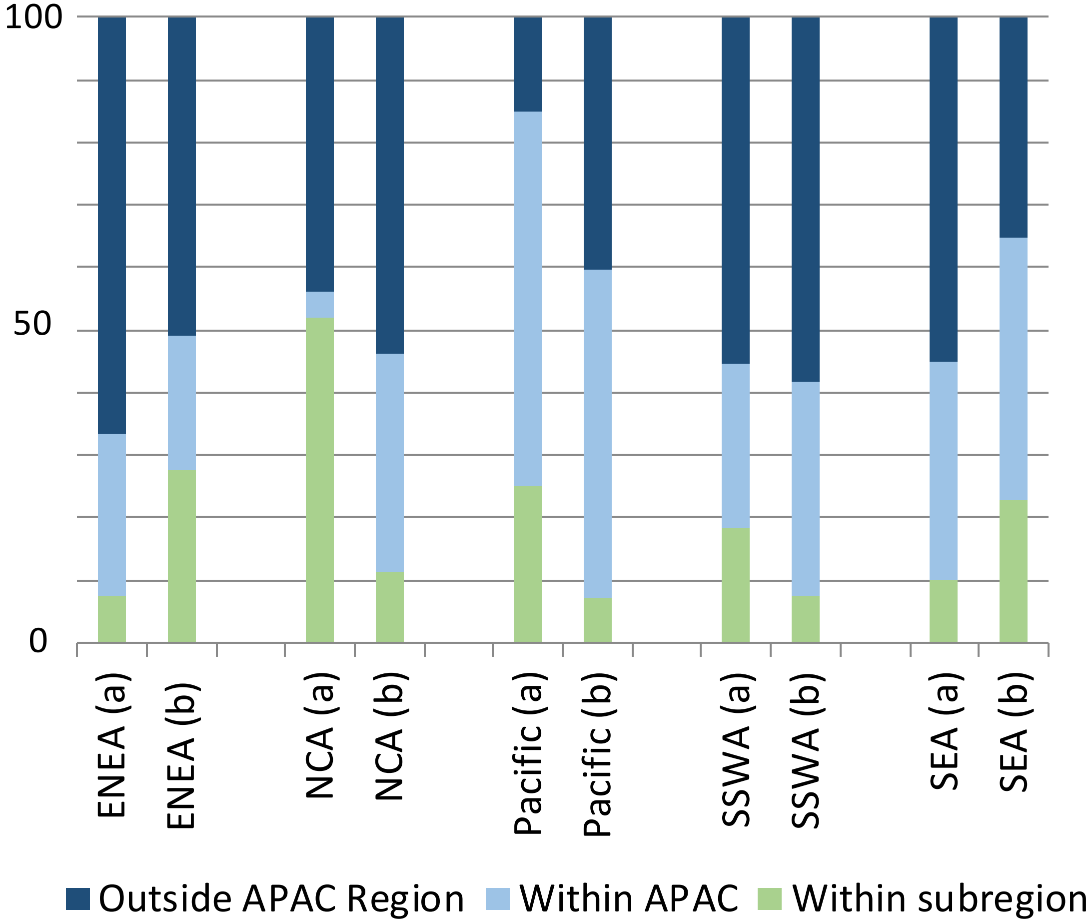
Sub-regions: import intensity



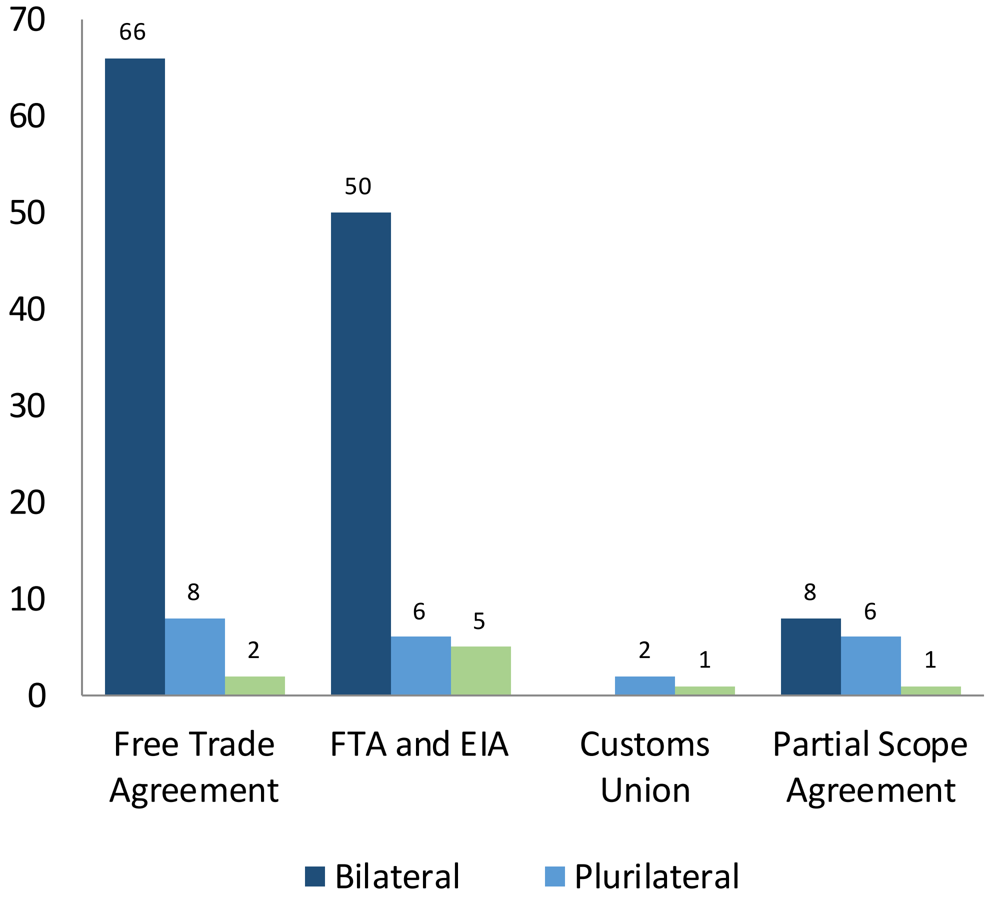
(a): Number of free trade agreements

(b): Share of trade

Number of RTAs and trade intensity among partners not strongly linked:

- All five sub-regions but ENEA have put in place minimum 1 trade agreement as means of regional integration
- The levels of intra-bloc trade are low and not growing noticeably in terms of relative size
- Non-economic purposes?

Types of RTAs: depth of liberalization



Based on WTO taxonomy, the order of the agreements from the lowest liberalization/ complexity level:

- Partial scope agreements
- Free trade agreements (for goods) and economic integration agreements (for services)
- Customs unions

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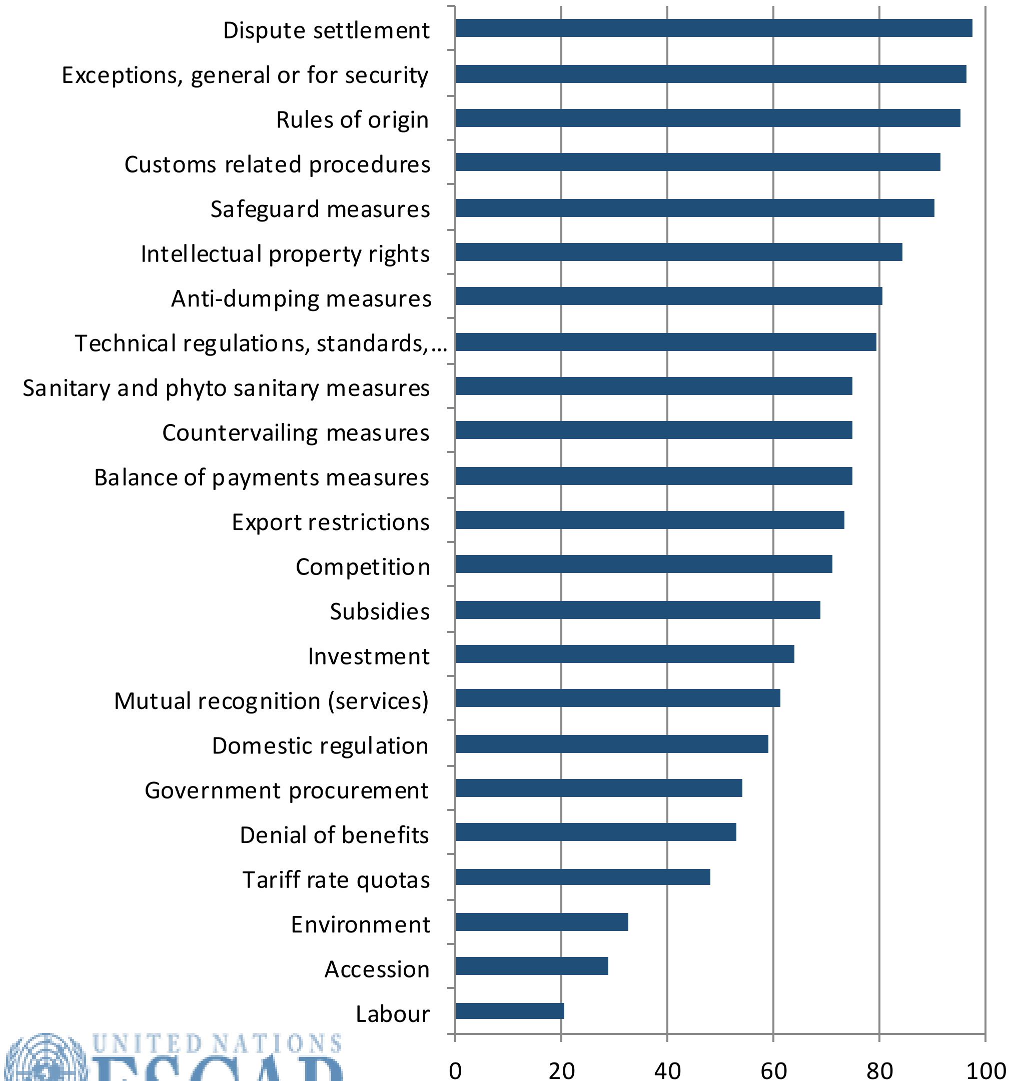
Types of RTAs: “next generation” elements



Many RTAs have elements of “next generation” or WTO-beyond agreements:

- The number is still low
- Usually mega-blocs like TTP, RCEP, and EAEU, but increasingly bilateral agreements as well
- Positive side: help sort out the “noodle bowl” problems
- Negative side: potentially undermine the existing WTO rules?

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Types of RTAs: size of the agreement

Currently, no strong evidence for a link between the size of plurilateral agreements (in terms of number of members) and the size of intraregional trade within that group:

- In terms of number of members: SPARTECA (15 members), PTN (15), PICTA (12), ASEAN (10), ECOTA (10), CISFTA (8), and CEZ (4)
- In terms of average intraregional import shares for 2008-2014: ASEAN (24%), CISFTA (24%), CEZ (22%), PTN (7.7), SPARTECA (7%), and PICTA (1.3%)

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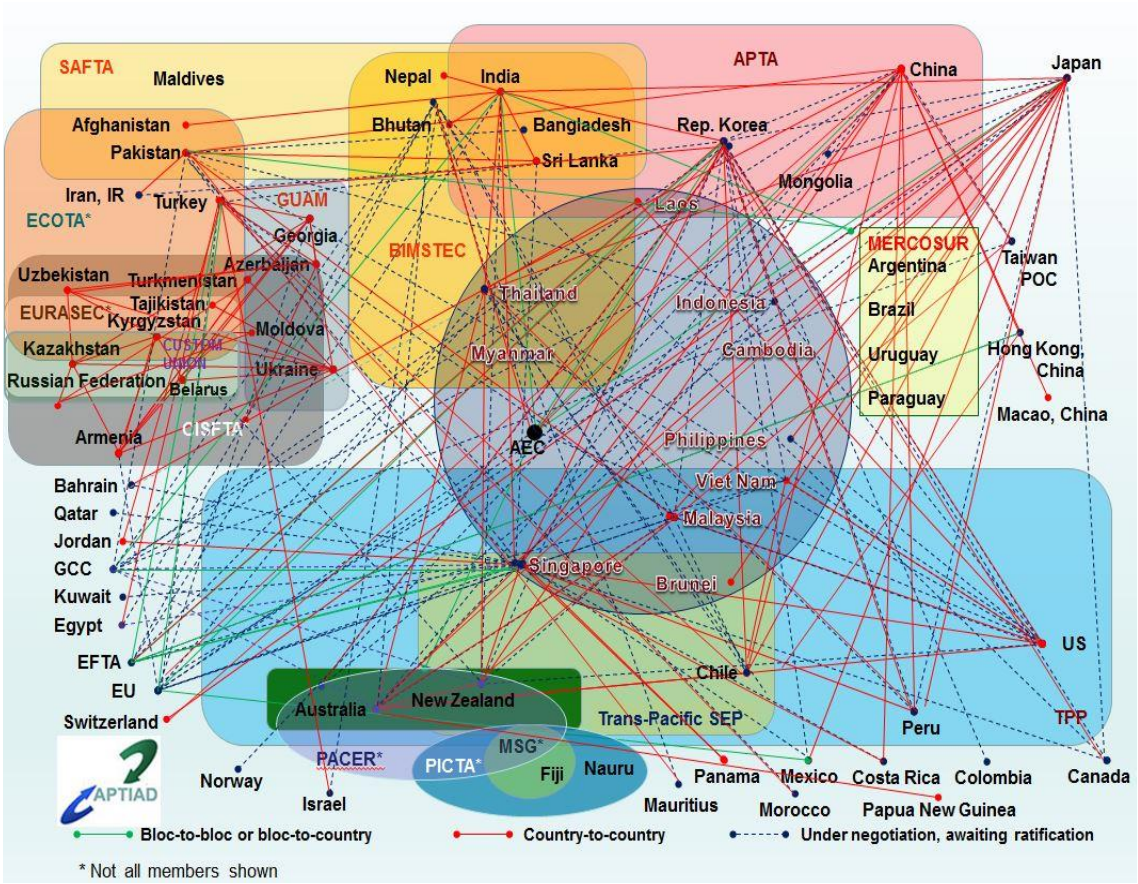
The “noodle bowl” phenomenon



Too many agreements may cause lower utilization and/ or higher trade costs. Two main issues:

- Businesses are unable to fully use the negotiated differences (more on this later)
- The adverse effects on trade costs (including cost of compliance and search costs)

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General issues related to regionalism in AP

- Too many overlapping bilateral RTAs
- Weak capacity to utilize research in policymaking, weak negotiation and implementation capacity
- Under-utilization of existing agreements
- RTAs not going sufficiently into WTO+ and WTO-beyond areas
- Impacts on third parties not understood and low-income economies often excluded from “21st century” ideals
- No post-adjustment programmes

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Current issues for businesses

- Businesses lack proper information (no transparency and advocacy)
- Businesses claiming complicated and costly procedures
- Low margins of preference and/or long positive lists (lack of liberalizing contents)
- Persisting NTBs/NTMs not dealt within PTAs
- Lacking appropriate trade/trade facilitation infrastructure

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Thank you

Q&A

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