

Preferential trade agreements and their impacts

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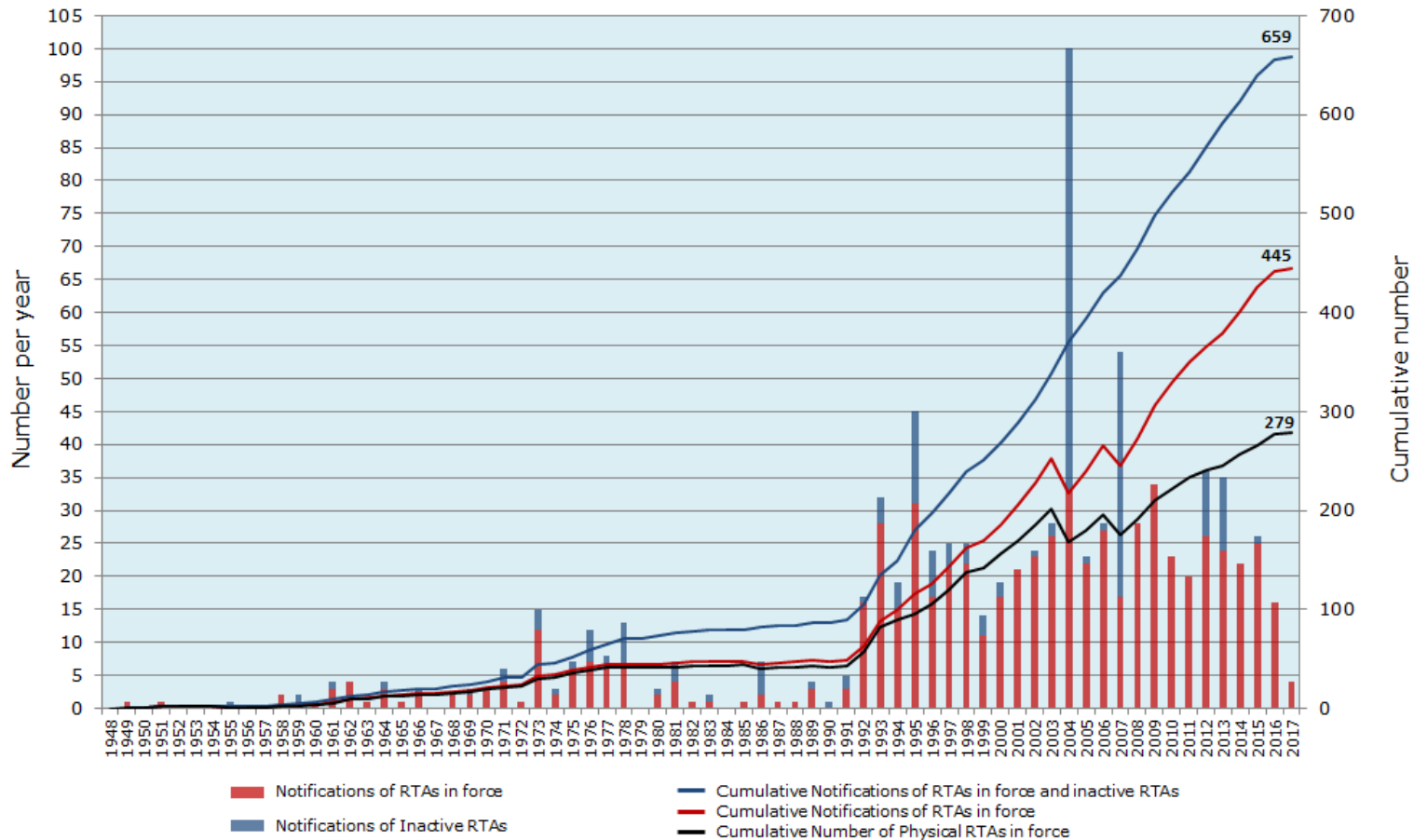
Australian National University

UNCTAD, Geneva, 14th July 2016

- Multilateralism has stalled
- Push against globalisation
- Global value chains
- Bilateral agreements
- Several large blocs – TPP(?), RCEP, CFTA

Proliferation of PTAs

Evolution of Regional Trade Agreements in the world, 1948-2017



Note: Notifications of RTAs: goods, services & accessions to an RTA are counted separately. Physical RTAs: goods, services & accessions to an RTA are counted together. The cumulative lines show the number of notifications/physical RTAs that were in force for a given year.
 Source: RTA Section, WTO Secretariat, 20 June 2017.

Four options

- Unilateralism
- Multilateralism
- PTAs
- Do nothing

- CEPII WP 2016-12
- 2001-2013 applied tariffs -40%
- Mostly self imposed, in manufacturing
- Not WTO since 2004
- In agriculture, unilateral cuts in Peru, Mexico, Bangladesh, Japan, Malaysia, Turkey, Iran, Egypt
- PTAs limited impact, but growing

- Increased intra-regional trade
- Divert extra-regional trade
- Does it matter?
- Key to growth is investment and productivity

- Complex rules of origin
- Raise costs
- Divert trade from lowest cost suppliers
- Suppress further liberalization and productivity improving economic reforms

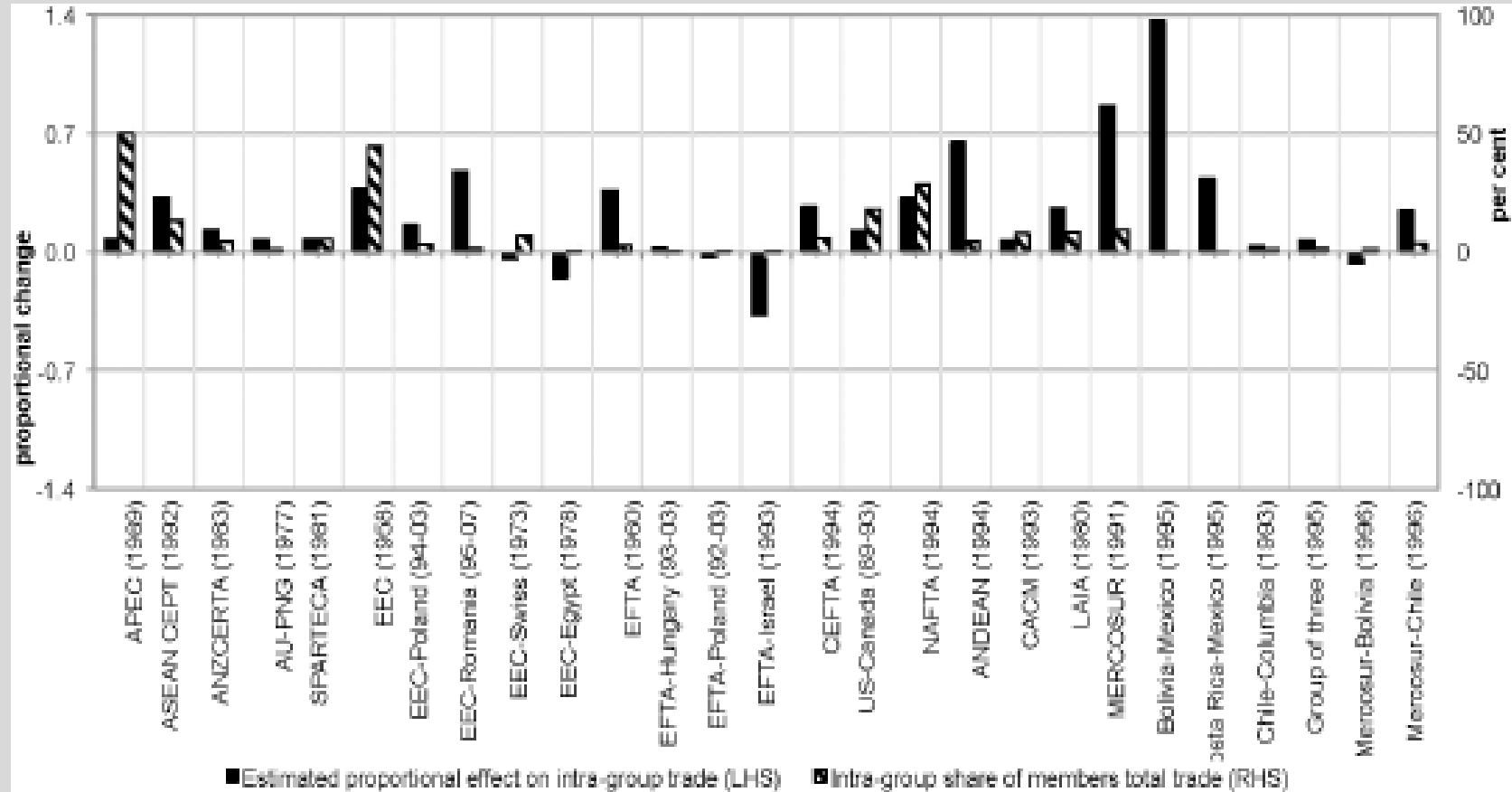
How to lose from trade liberalisation

- Switch from low cost non-members to high cost PTA members, because tariff removed preferentially
- Government forgoes tariff revenue
- Partner signs FTA with competitors

- Assess whether FTAs have increased trade.
- Measures what would happen in absence of FTA
- Complex
 - zero trade
 - heterogeneity
 - endogeneity

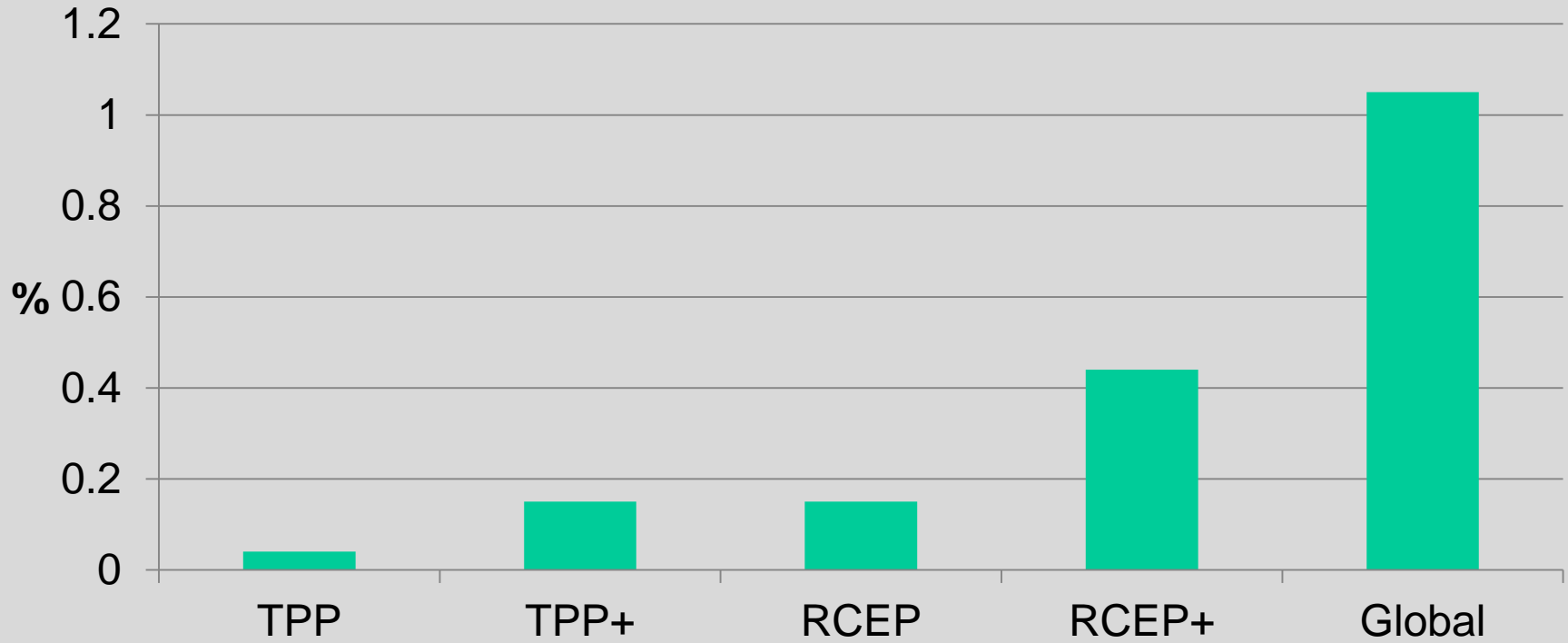
(WTO/UNCTAD 2012)

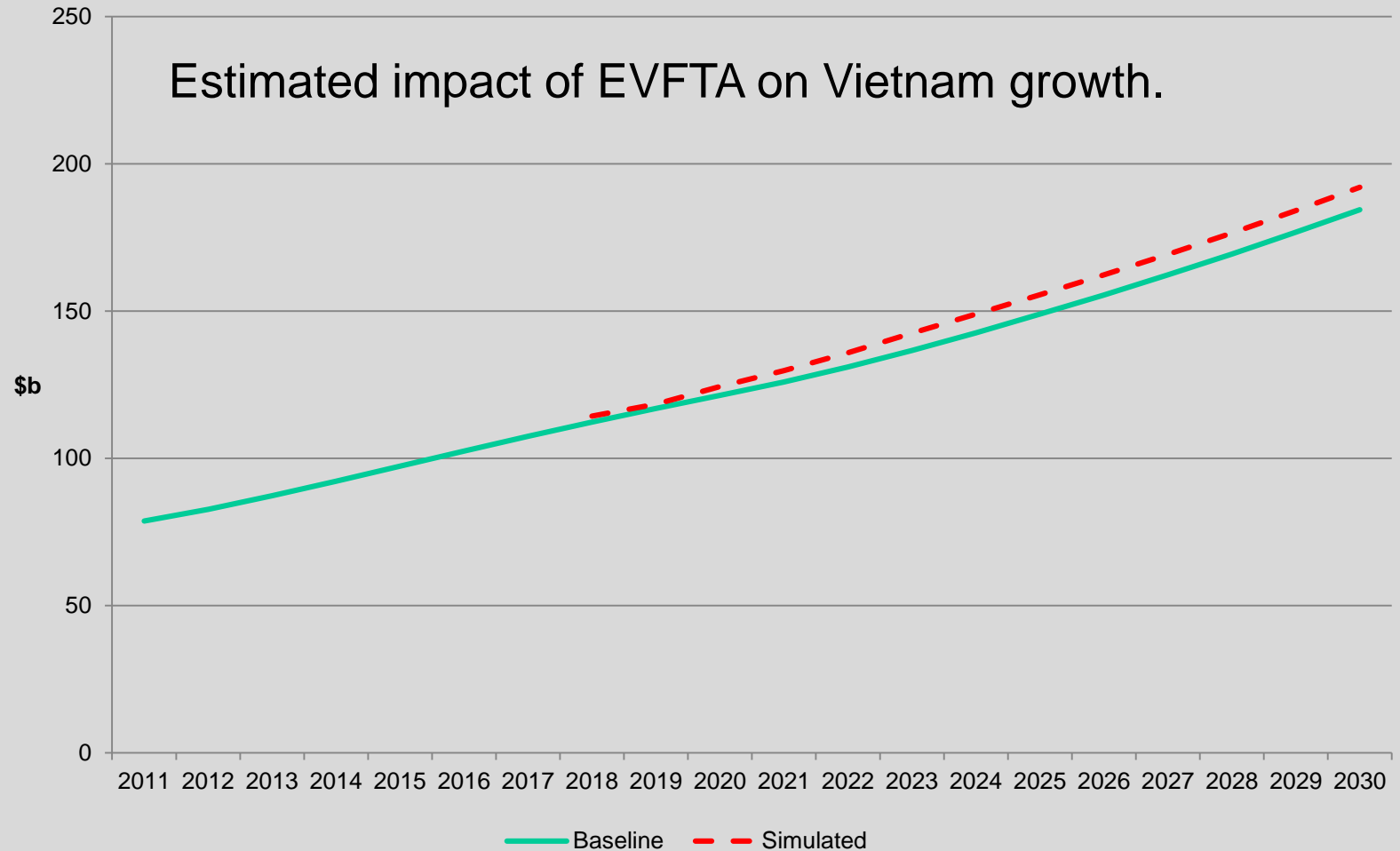
Have FTAs members benefitted?



- Open regionalism
- Investment and productivity
- Behind the border measures
- Non tariff measures

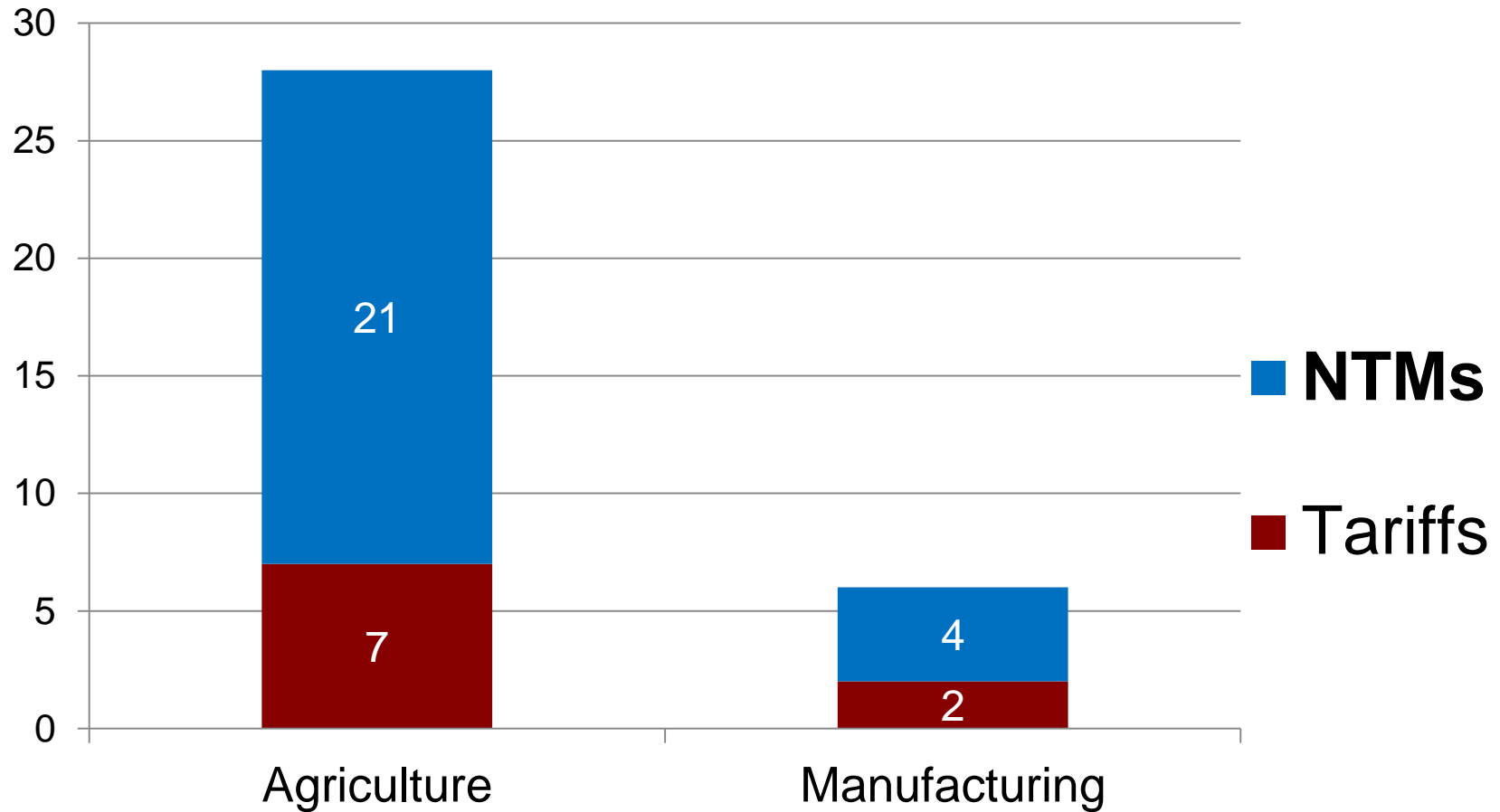
Global GDP



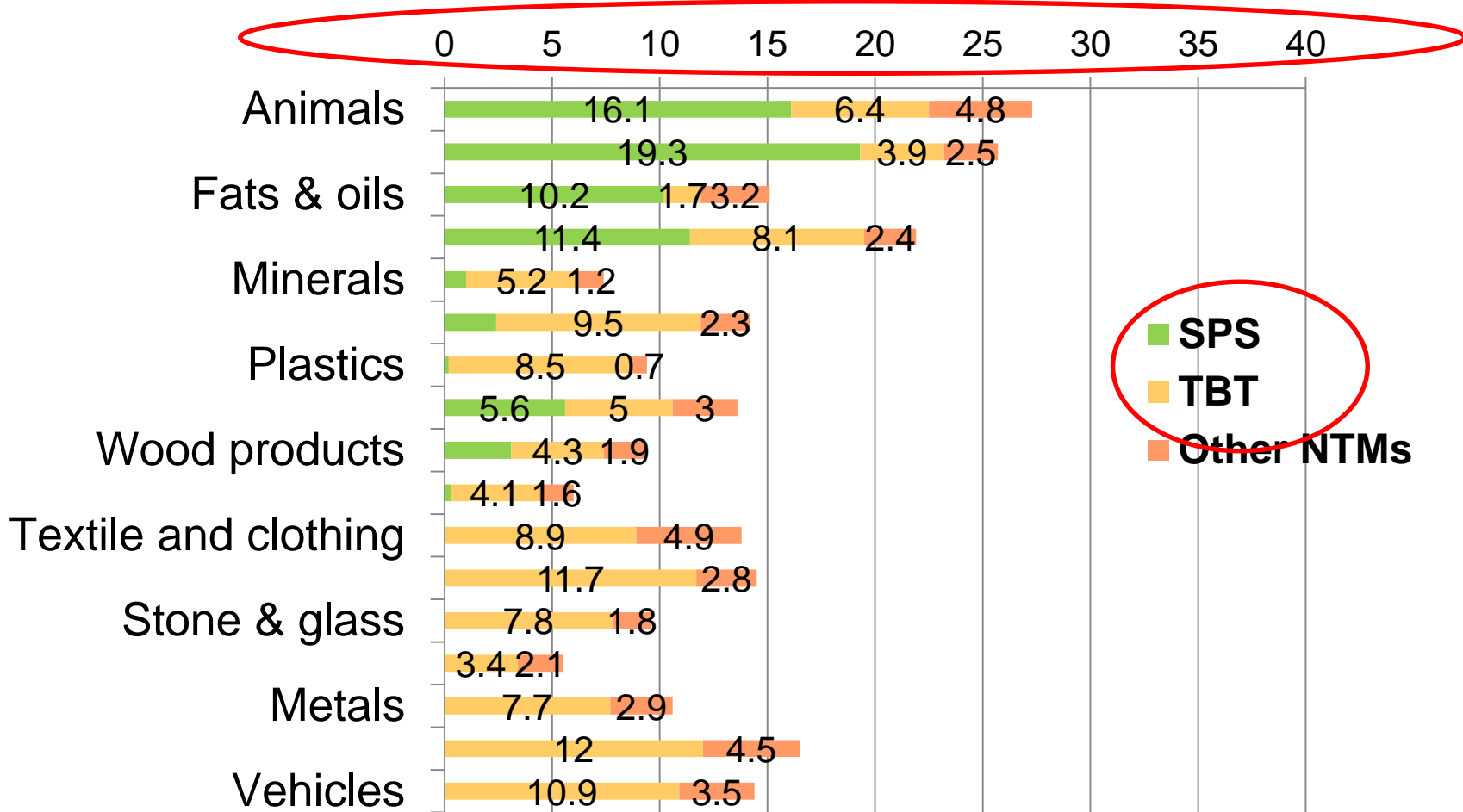


- corporate (and public) governance
- competition policy
- state-owned enterprises
- financial and other services
- intellectual property protection
- “sensitive sectors”

Estimated ad valorem equivalents

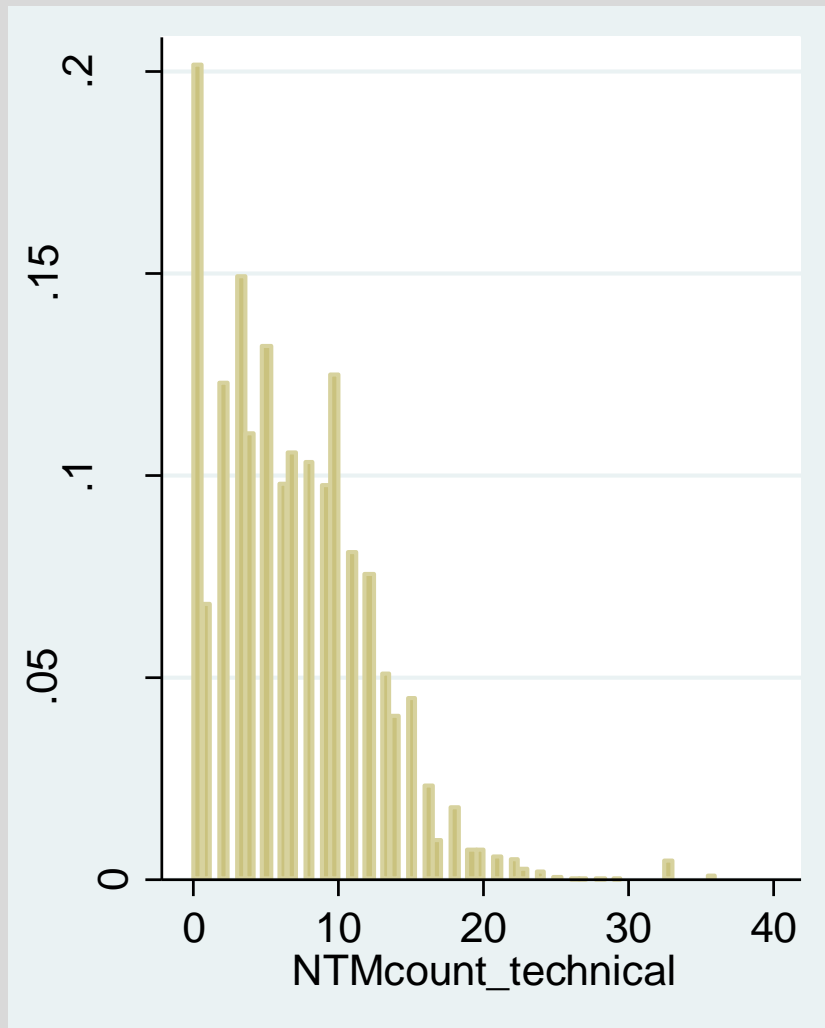


NTMs as barriers to trade

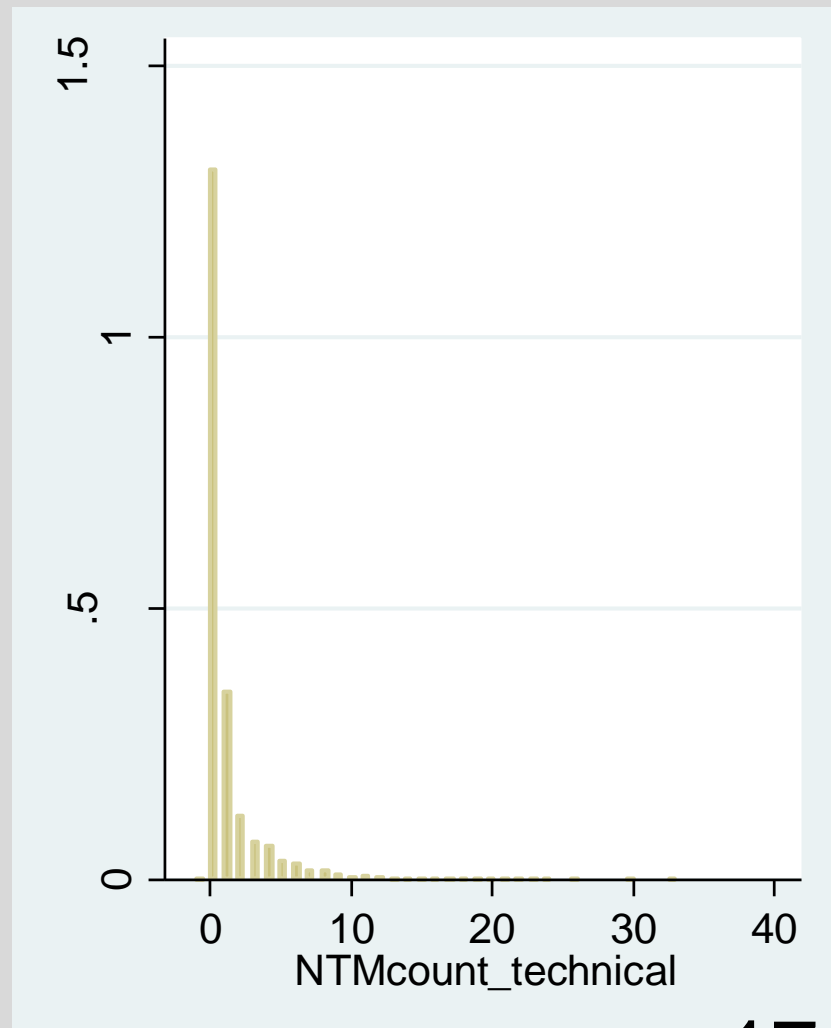


Number of distinct SPS/TBT types by sector

a) agriculture



b) manufacturing



- Domestic regulation matters
- Regulatory convergence matters
- Two non-overlapping measures are twice as costly as overlapping measures
- A simple reform of alignment (without increasing or decreasing measures) could reduce the cost of SPS/TBT in agriculture by 30%

- Need for more data, ideally time series
- Need for more testing with non-OLS specifications (account for missing values; non-linearity; prohibitive NTMs)
- Endogeneity of NTMs
- Quantity/value-based estimations
- Tariff equivalents

- PTAs are third best option
- Bilateral dubious when partners sign with competitors
- Provide conducive investment environment
- NTMs important – conform to international standards
- Transparency

- P. Gretton (2017) ‘Bilateral and Regional Trade Agreements: Detangling the Noodle/Spaghetti Bowl’ , East Asian Bureau of Economic Research, Crawford School of Public Policy, The Australian National University.
- Barbalet, F., J. Greenville, W. Crook, P. Gretton and R. Breunig 2015, ‘Exploring the links between bilateral and regional trade agreements and merchandise trade’, Asia and the Pacific Policy Studies, Volume 2, Number 3, pp. 467-484.
- Knebel, C. and Peters, R (2017) ‘Regulatory convergence matters: A differentiated analysis of the impact of non-tariff measures’, Unpublished UNCTAD paper.
- Vanzetti, D and Pham, L.H. (2017) ‘A quantitative assessment of the European Union Vietnam free trade agreement’, Unpublished report for MUTRAP, Hanoi.

The End