

## IV

# THE BANGKOK AGREEMENT: PROSPECTS FOR TRADE EXPANSION IN THE ASIA-PACIFIC REGION<sup>1</sup>

## Introduction

**T**he First Agreement on Trade Negotiations among Developing Member Countries of the Economic and Social Commission for Asia and the Pacific, known as the Bangkok Agreement, was established in 1975 as Asia's first multi-member preferential trade agreement (PTA) between developing countries (Mukherji, 1978; Kelegama, 2001). ESCAP has served as the interim secretariat to the Bangkok Agreement since its inception. The five countries that originally ratified the Agreement were Bangladesh, India, the Lao People's Democratic, the Republic of Korea and Sri Lanka. In an important recent development, China acceded to the Agreement in 2001.

*Established in 1975, the Bangkok Agreement is the oldest preferential trade agreement between Asian developing countries*

Trade between Bangkok Agreement member countries has remained low throughout the Agreement's history, and many PTAs in the region that were formed after the inception of the Agreement have overtaken it in terms of concessions offered, amount of intra-member trade generated and interest from prospective members and the world as a whole.<sup>2</sup> However, China's recent accession has provided the Agreement with new impetus that could contribute to transforming the Agreement into a more dynamic PTA in the region. Member countries of the Agreement have recognized the importance of China's accession and have launched a process to revitalize the Agreement.

With some of the major economies in the region participating in the Bangkok Agreement, it has the potential to become a major PTA in Asia and the Pacific. It is the only preferential trade agreement in force that

*Membership in the Bangkok Agreement is open to all developing countries in the region*

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<sup>2</sup> In this paper, the term PTA will be used to describe all agreements that liberalize trade on a selective basis, that is, between a subset of member nations only. The definition therefore includes free trade agreements/areas (FTAs), which are PTAs that allow for full trade liberalization between members. Bilateral trade agreements (BTAs) are also included. Where necessary, a distinction will be made; the Bangkok Agreement, for example, is not an FTA. A preferential trade agreement of course only makes sense as long as its members offer more to each other than they do to the rest of the world; for member countries of a PTA that are also members of the WTO, commitments under the PTA should in some way go beyond commitments that have been made at the multilateral level.

links East and South Asia, as well as the two most populous countries in the world, China and India. The Agreement's unique status as the only PTA with membership open to all developing countries in the region<sup>3</sup> further suggests that it can be used as a mechanism to promote regional cooperation in trade, and perhaps also in related areas such as investment. The ongoing revitalization measures are crucial for the future of the Agreement, for it is through the implementation of those measures that its potential can begin to be realized. Full commitment by member countries will be required through the revitalization process and beyond, for in a region that is seeing several far-reaching trade liberalization initiatives, this may be the only way for the Agreement to maintain its relevance.

The objective of this paper is to present the Bangkok Agreement in the light of current revitalization efforts and to assess its future in the broader picture of trade in the region. The paper begins by providing an overview of the Agreement and its potential and goes on to summarize the measures being implemented as part of the revitalization process. A final section discusses what will need to be done in the future in order to build on the current momentum within the Agreement, and thus permit it to maintain its relevance in the region.

### **Some facts**

So far, the Bangkok Agreement has served as a forum for the exchange of tariff concessions on goods. Trade negotiations under the Agreement have followed the positive list, product-by-product, approach. Two full rounds of negotiations have so far been completed, and some additional modifications have occasionally been made to concession lists. At the end of 2001, the number of items covered under the Agreement was 926, of which 94 were exclusively for least developed member countries.<sup>4</sup>

Since its inception, the Bangkok Agreement has been governed by a Standing Committee consisting of representatives of member countries. Standing Committee meetings have become less than frequent over the years, and member country representation has not been at a level to necessarily warrant the attention of top trade policy decision makers or the media. In addition, unlike other PTAs, the Agreement has never had its own secretariat; member countries have relied on ESCAP to serve as the interim secretariat. The unfortunate result of these arrangements is that the Bangkok Agreement has remained a low-key agreement, relatively unknown to the general public.

***Trade between  
Bangkok Agreement  
member countries  
has remained low ...***

Throughout its history the Bangkok Agreement has also shown a less than satisfactory trade performance. Table 1 shows the consistently low proportion of intra-member trade flows in the total trade of member

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<sup>3</sup> More specifically, membership in the Bangkok Agreement is open to all developing member countries of ESCAP.

<sup>4</sup> Concessions offered under the Bangkok Agreement are based on the Harmonized Commodity Description and Coding System (HS). Thus an "item" as discussed here would be an HS product code, which typically is at the 6-digit level or higher under the Agreement.

countries. The few cases of important shares in trade cannot necessarily be attributed to the Bangkok Agreement. In particular, the relatively high proportions of products from member countries imported by Bangladesh and Sri Lanka come mainly from India (India accounted for about 13 per cent of Bangladesh's total world imports in 2001, and for over 10 per cent of those of Sri Lanka). However, there exist several trade agreements that link these South Asian countries, and a host of other factors that contribute to the formation and maintenance of trading relationships have no doubt played a role in determining the pattern of trade flows in the subregion. It is also worth noting from table 1 the very low shares of the Republic of Korea's trade with member countries of the Agreement, which is striking given that the Republic of Korea is one of the major trading economies in the region.

**Table 1. Bangkok Agreement: intra-member trade (excluding China), as a percentage of the total**

	1980		1990		2001	
	Exports	Imports	Exports	Imports	Exports	Imports
Bangladesh	2.9	3.5	1.9	9.1	1.3	17.8
India	3.2	1.5	3.2	1.5	5.9	3.3
Lao People's Democratic Republic	n.a.	n.a.	0.5	0.2	0.2	1.0
Republic of Korea	1.6	0.2	1.3	0.4	1.6	0.8
Sri Lanka	3.7	6.6	1.8	9.7	2.3	16.4
All Bangkok Agreement countries	2.2	1.2	1.7	1.2	2.5	2.6

*Source:* IMF, *Direction of Trade Statistics* (CD-ROM), various editions (Washington, International Monetary Fund, 2002-2003).

*Note:* n.a. = not available from this source.

It may be said with some certainty that the relatively limited concessions that have been available under the Bangkok Agreement have not had an impact on intra-member trade flows. As a point of comparison, after three rounds of negotiations resulting in concessions on 5,550 items under the SAARC Preferential Trading Arrangement (SAPTA), debate continues as to whether these concessions have had a positive effect on intra-SAPTA trade (Mohanty, 2003). Of course, it is not simply the number of concessions that will determine the ability of a PTA to generate trade flows. The depth of concessions will also be an important determinant, and in this regard the preferences under the Bangkok Agreement have not only remained relatively low but have also become smaller in some cases when general tariff rates have been reduced with no appropriate correction in the rate offered under the Agreement. A third important determinant is the extent of inclusion of items actually traded (or items with a potential to be traded) in concession lists, and in this regard Kelegama (2003) has pointed out that member countries of the Agreement have granted minimal concessions in major import areas. In all of these respects, it would seem that the ASEAN Free

**... and the coverage of the Bangkok Agreement has been limited relative to other agreements in the region**

Trade Area (AFTA) is substantially ahead of other established PTAs in the region.<sup>5</sup> AFTA concessions are based on the negative list approach to trade liberalization, under which all items except those specified in the so-called negative list are eligible for preferential treatment. Provided that the negative list is not overwhelmingly large, this approach to trade liberalization will generally lead to a more comprehensive reduction in trade barriers than what can be achieved through the positive list approach. In the case of AFTA, all items covered by liberalization commitments are placed within the framework of the Common Effective Preferential Tariff (CEPT) scheme, which has specified a tariff range of 0-5 per cent. Through a number of initiatives to bring forward the dates for CEPT to come into force for different categories of products, as well as the eventual inclusion of unprocessed agricultural products under the scheme, AFTA member countries have demonstrated a convincing commitment to trade liberalization. It should be noted particularly that the response of AFTA members to the East Asian economic crisis of 1997-1998 was to accelerate the tariff reduction programme and lower the target tariff rate to zero (Scollay, 2003).

***China's accession  
is a major step  
forward for the  
Bangkok Agreement ...***

China entered the Bangkok Agreement with an offer of 739 items for general concession and an additional 18 items for special concession to least developed member countries. With the addition of China's list of concessions, which came into force on 1 January 2002, a total of 1,670 items are now covered under the Bangkok Agreement, of which 112 are directed towards least developed countries.<sup>6</sup> Table 2 summarizes the current coverage of the Agreement, which is admittedly still limited compared with agreements such as AFTA, or even SAPTA. However, China's accession should nevertheless be seen as a major step forward for the Agreement. First, China is a major trader in the world economy, ranking sixth worldwide in 2001 in terms of both merchandise exports and imports (WTO, 2002a). Further, the combined populations of member countries of about 2.5 billion people make the Bangkok Agreement the largest PTA in the world in terms of population (Ratnayake, 2002). With the presence of several major economies in the Agreement, particularly China, India and the Republic of Korea, the market potential within the Agreement is huge. China's entry into the Agreement has therefore brought with it several interesting possibilities and could have profound implications for trade in the region.

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<sup>5</sup> The newer bilateral trade agreements that are being formed in the region are, however, also typically comprehensive in coverage. These will be briefly discussed below.

<sup>6</sup> China and India have taken some time to conclude their bilateral negotiations under the Bangkok Agreement, although recent press coverage indicates that agreement has been reached between these countries (see, for example, *International Herald Tribune*, 30 June 2003). The concession list of China summarized here does not include any agreement on product coverage that has been reached between China and India. The general concessions shown are offered to Bangladesh, the Republic of Korea and Sri Lanka, while special concessions to least developed countries are offered to Bangladesh. The Lao People's Democratic Republic has been an inactive member of the Agreement thus far (Ratnayake, 2002).

**Table 2. Number of products offered concessions under the Bangkok Agreement**

	<i>General concessions</i>	<i>Special concessions to least developed countries</i>	<i>Total</i>
Bangladesh	129	-	129
China	739	18	757
India	188	33	221
Republic of Korea	214	29	243
Sri Lanka	288	32	320
All Bangkok Agreement countries	1 558	112	1 670

*Source:* I.N. Mukherji, "The Bangkok Agreement: a negative list approach to trade liberalization in Asia and the Pacific", paper prepared for the nineteenth session of the Standing Committee of the Bangkok Agreement, Bangkok, 19-21 March 2003.

*Note:* The Lao People's Democratic Republic has up to the present not issued customs notification on tariff concessions granted under the Bangkok Agreement. Some members, however, extend their concessions to that country.

### Potential trade

A comparison of the 2001 intra-Bangkok Agreement trade figures in table 3, which include China as a member (China acceded to the Agreement in that year), with the figures in the last column of table 1 shows that China's entry substantially increases the proportion of trade of member countries flowing within the Bangkok Agreement. It may be seen that China's presence in the Agreement is of particular importance for the Republic of Korea, whose trade with China is substantially higher than with any other member.

*... and results in a significant increase in the proportion of trade flowing between members*

**Table 3. Bangkok Agreement: intra-member trade (including China), 2001, as a percentage of the total**

	<i>Exports</i>	<i>Imports</i>
Bangladesh	1.4	26.4
China	5.9	10.3
India	9.2	6.7
Lao People's Democratic Republic	1.8	9.9
Republic of Korea	13.7	10.3
Sri Lanka	2.4	20.2
All Bangkok Agreement countries	8.7	10.4

*Source:* IMF, *Direction of Trade Statistics* (CD-ROM), various editions (Washington, International Monetary Fund, 2002-2003).

In addition, it is worth exploring how the exports of the original member countries to China changed from 2001 to 2002, the latter being the first year of implementation of China's concessions under the Agreement. As will be seen in table 4, all original members' exports to China increased between 2001 and 2002. Without access to data at the tariff-line level, it is not possible to ascertain the extent to which this increase in exports is due to the Bangkok Agreement.<sup>7</sup> It is also rather early to evaluate the full impact of China's accession. Nevertheless, the rise in trade should be seen as a positive development for the Agreement, and seems consistent with the optimistic estimations of Ratnayake (2002) on the possible impact of China's entry into the Bangkok Agreement.<sup>8</sup>

**Table 4. Bangkok Agreement: percentage increase in exports to China, 2001-2002**

	<i>Increase in exports (percentage)</i>
Bangladesh	120.0
India	29.4
Lao People's Democratic Republic	29.4
Republic of Korea	30.6
Sri Lanka	107.5
Five original members	30.5

*Source:* IMF, *Direction of Trade Statistics* (CD-ROM), various editions (Washington, International Monetary Fund, 2002-2003).

**Trade potential  
within the Bangkok  
Agreement is high**

While Ratnayake (2002) estimated specifically how China's concession list would affect intra-member trade flows, it is also useful to go beyond the current concessions to study in more general terms the potential for trade expansion between member countries of the Agreement. Given that the Agreement is the largest PTA in the world in terms of population, and therefore market possibilities, it would seem that vast trading opportunities exist, particularly after the accession of China. Mukherji (2003), using 1998-1999 data, undertook a detailed analysis of trade potential between the member countries, the results of which are summarized in table 5. The vast differences in all cases between actual trade and potential trade give a

<sup>7</sup> Even tariff-line trade data might not, however, give a complete picture of the impact of a PTA on trade flows, since it is not necessarily true that all goods traded under a preferential tariff line actually benefit from the preferential treatment (see, for example, WTO, 2002b). Given that China's concessions were not offered to India in 2002, and that, as mentioned earlier, the Lao People's Democratic Republic is an inactive member of the Agreement, the increase in trade with these two countries occurred independently of the Agreement.

<sup>8</sup> Ratnayake (2002) looked at how exports of food items and manufactured products to China from original Bangkok Agreement members benefiting from China's concession list would increase following China's accession. Positive opportunities were found in both sectors and for the three countries investigated, Bangladesh, Republic of Korea and Sri Lanka, with the highest gains in terms of percentage of export increase going to Bangladesh.

striking picture of the possibilities that exist under the Agreement.<sup>9</sup> Ratnayake (2002) treated the issue of trade potential in the context of China's accession by calculating the complementarity in trade existing between China and the original member countries.<sup>10</sup> It was found that not only is total complementarity high in all cases, but for each country's trade with China there is additionally a significant difference in complementarity at the product level, suggesting that the major trading opportunities of each country with China lie in different sectors.

**Table 5. Potential trade between Bangkok Agreement member countries, 1998-1999**

*(Millions of US dollars)*

	<i>Actual trade with member countries</i>	<i>Potential trade with member countries</i>
Bangladesh	93	2 337
China	10 784	54 899
India	313	16 570
Lao People's Democratic Republic	11	487
Republic of Korea	19 132	70 952
Sri Lanka	115	3 554
All Bangkok Agreement countries	30 448	148 799

*Source:* I.N. Mukherji, "The Bangkok Agreement: a negative list approach to trade liberalization in Asia and the Pacific", paper prepared for the nineteenth session of the Standing Committee of the Bangkok Agreement, Bangkok, 19-21 March 2003.

### Revitalization process

In 2001, Bangkok Agreement member countries, recognizing the potential of the Agreement, particularly in the wake of China's accession, agreed to launch a process to revitalize the Agreement. Three major measures have been agreed upon as part of the revitalization process. First, the text of the Agreement is being revised to reflect changes in the international trading system that have taken place since the Agreement was first established. Probably the most important development in the international trade arena since the birth of the Agreement has been the establishment of WTO in 1995, and the text of the Agreement now takes account of that institution and the trade agreements embedded therein. Second, a Ministerial Council has been established to provide overall supervision for the manage-

***In 2001, a number of measures to revitalize the Bangkok Agreement were initiated in an effort to bring the Agreement closer to its potential***

<sup>9</sup> Actual trade and potential trade in Mukherji's study are viewed from the supplier's point of view and are therefore calculated in terms of exports.

<sup>10</sup> Complementarity was calculated in the same way as was done by Drysdale (1988) and Anderson and Norheim (1993).

ment of the Agreement. It is envisaged that the Ministerial Council, which will meet at regular intervals, will help to transform the Agreement into a more effective mechanism and will also raise its profile. Finally, a third round of negotiations has been launched.

The revitalization measures can put the Bangkok Agreement on the right track, but in themselves will probably not be sufficient to allow the Agreement to realize its full potential. For example, much will depend on the long-term commitment shown by the Ministerial Council. Further, even though the third round will no doubt contribute to trade liberalization between members, negotiations in the round are limited to tariff concessions on goods. Given that tariffs worldwide continue to be brought down through multilateral negotiations, limiting the scope of the Bangkok Agreement in this way will not allow trade flows to increase as much as they could. It should also be noted that the positive list, product-by-product, approach to liberalization may be too narrow in scope to generate large increases in trade. It is perhaps more realistic, therefore, to view the revitalization measures as the building blocks, albeit important ones, necessary to turn the Agreement around.

### Ways forward

*With the formation of several preferential trade agreements, the regional trade picture is becoming increasingly complex*

The Asian and Pacific region, like other regions, has in the past decade or so seen the emergence of several PTAs. BTAs in particular are increasing in number. BTAs typically have a much more comprehensive coverage than traditional PTAs such as the Bangkok Agreement, which only offer tariff concessions on goods. In addition to liberalizing intra-member trade to an extent to which they can be termed FTAs, the new BTAs typically also offer economic and technical cooperation in a wide range of areas (Bonapace, 2001). The level of integration between BTAs is therefore much higher than that which can be achieved through more traditional approaches to trade liberalization. Aside from the emerging phenomenon of BTAs, other trade liberalization proposals linking ASEAN member countries with China, India, Japan and the Republic of Korea could profoundly affect trade in the region. BIMST-EC<sup>11</sup> also seems to be moving towards becoming an FTA (BIMST-EC, 2003).

As the number of PTAs increases in this manner, it becomes difficult to gain a clear picture of the value added by each agreement. For example, Bangladesh, India and Sri Lanka are members of the Bangkok Agreement, BIMST-EC and SAPTA. Furthermore, India and Sri Lanka recently entered into a bilateral FTA, which would seem to make their common membership in other PTAs largely redundant. More generally, as the number of PTAs in the region continues to increase, overlap between agreements will be inevitable and the significance of many will be lessened.

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<sup>11</sup> Bangladesh-India-Myanmar-Sri Lanka-Thailand Economic Cooperation, which at this time is a sectoral cooperation arrangement rather than a PTA (Kelegama, 2001).



***The Bangkok Agreement could play an important role in promoting regional economic cooperation***

In this scenario, it is valid to ask where the Bangkok Agreement can fit in. It has been suggested (see, for example, Bonapace, 2001) that the fact that the Agreement is the only truly “regional” trade agreement in Asia and the Pacific, not only in terms of its current membership (it is the only PTA with representation from different subregions), but also, more important, in terms of its potential membership (all developing member countries of ESCAP are eligible to join), gives it scope to eventually develop into a regionwide trade agreement. Following this line of argument, it could be further suggested that the Agreement can play an important role in promoting regional cooperation between developing countries in trade matters. The forum could perhaps even be broadened over the course of time to cover related issues, for example, in the investment area.

The issue of how best to exploit the Agreement’s potential to promote regional cooperation in trade and investment is one that warrants further thought and analysis. For a start, the Agreement could be used by developing countries in the region as a mechanism not only to provide mutual support in dealing with economic challenges but also to form common positions on specific negotiating issues in WTO. The turn of events at the Fifth WTO Ministerial Conference, held at Cancún, Mexico, in September 2003, while not the best of outcomes, shows that a group of countries with diverse concerns such as the Group of 21 developing countries (which, from the Asian and Pacific region, includes the two major Bangkok Agreement member countries of China and India), can come together on a single issue, remain united and drive home an important message, in this case the need for the reduction of agricultural subsidies by developed countries.<sup>12</sup>

The cohesiveness shown by the Group of 21 could be used as a model for constructive cooperation between developing countries in Asia and the Pacific within the framework of the Agreement, but in addition to this aspect of cooperation, the question is posed here as to whether the role of the Bangkok Agreement could be further enhanced. It has been pointed out (see, for example, WTO, 2003) that the increasing complexity in the global trade regime brought about by the growing number of PTAs in force with differing, and perhaps in many cases mutually inconsistent, provisions increases the transaction costs of engaging in international trade, while also potentially causing uncertainty on the application of the rules in any given situation. In view of this observation, might there be a need in the future for a common format for PTAs in the region, so as to encourage rather than hamper trade? Could the Bangkok Agreement evolve into a common framework mechanism under which all subregional PTAs between developing countries in Asia and the Pacific could be placed? Or could the Agreement perhaps serve as a platform for the eventual amalgamation

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<sup>12</sup> This being said, the outcome of Cancún should not be allowed to represent the demise of the multilateral trading system. All countries are aware of the benefits of multilateral trade liberalization and a rules-based trading system, and the poorest countries risk paying the highest price for a breakdown in multilateral trade talks (see, for example, *The Economist*, 20 September 2003). Negotiations under the Doha round, launched by WTO members in 2001, should therefore continue, though it is clear that more work will be required to find a way forward that is satisfactory to groups of countries with differing positions.

of various subregional PTAs? Lloyd's (2002) vision of the coalescence of PTAs being one possible direction that regional trade policy might take could thus materialize within the framework of the Agreement. While the idea is still in its infancy, the role the Agreement could play in this context, should the need arise, is presented here for possible future consideration.

***China's accession makes membership more attractive to countries in the region ...***

In practical terms, the idea of the Bangkok Agreement as a forum for regionwide cooperation can only take form if and when countries in the region begin to consider membership in the Agreement seriously. China's recent accession, and the fact that the Agreement is the only PTA currently in force that allows preferential access to the markets of China, India and the Republic of Korea, has of course generated some interest from countries in the region, and it may be only a matter of time before a number of countries take the step of joining the Agreement. The ongoing revitalization process provides a valuable opportunity for members of the Agreement to demonstrate to observer countries that efforts have been made to introduce change within it. Even if the third round does not bring sweeping liberalization, a speedy conclusion to the round with adequate depth and breadth in concessions will show that the "new" Bangkok Agreement is dynamic and that the prospects for future liberalization and cooperation remain positive. Given that this is the first attempt at trade liberalization within the Agreement since the end of the second round more than a decade ago, and that this is the first round in which China will participate as a full member, the level of interest from observer countries will no doubt be high.

***... but Bangkok Agreement members should ensure that the revitalization process is seen through to a successful conclusion ...***

The membership potential of the Bangkok Agreement, while important in its own right, should not, however, be seen as the main justification for its existence, at least in the short run. It should not be forgotten that the Agreement was originally established with the purpose of expanding trade between member countries, and this objective has not as yet been satisfactorily achieved. The most fundamental concern for members in the immediate future should be to see through the revitalization measures for the purpose of putting in place the building blocks for a PTA that will be relevant in the twenty-first century. If the ongoing revitalization measures within the Agreement are successful, countries in the region will themselves be attracted to join. New membership should thus follow logically from the course of events, and should not necessarily be the measure by which the progress of the Agreement is evaluated. Given that some of the most important economies in the region are members of the Agreement, it would seem that a well-functioning PTA between current members would be enough to justify the Agreement's existence, in spite of the proliferation of PTAs in the region. To be sure, the significance of the Agreement may be diluted relative to a hypothetical scenario with fewer trade agreements, but this holds true for all trade agreements in the region, and particularly those with multi-country membership.

***... and should also consider eventually broadening the scope of the Agreement***

The full implementation of the current revitalization measures will not guarantee a place for the Bangkok Agreement in the regional trade picture over the long run, but will at least give the Agreement the means to achieve this objective. Once all measures in the revitalization process

have been fully implemented, it will be up to the member countries to decide how to steer the Agreement forward. Continued moves towards liberalization can only be of benefit to the Agreement, first because this will be the only way in which the trade potential between members of the type estimated by Mukherji (2003) can come close to being realized, and second because dynamism of this nature is what will attract other countries in the region to the Agreement. Ideally, therefore, Bangkok Agreement members should move forward fairly quickly to launch a fourth round of negotiations, preferably based on the negative list approach. Serious consideration should be given to moving beyond tariffs to also include non-tariff measures and trade facilitation issues as topics for discussion. Members should further keep the possibility open for eventual talks on services trade as well as on broader topics such as trade-investment linkages.

If member countries steer the Bangkok Agreement along the path of deeper liberalization and cooperation in trade and investment, the Agreement will have much of what will be required to maintain its relevance in the region. The eventual establishment of an independent secretariat would be a useful complementary step and would perhaps follow naturally from the course taken by the Agreement. As already mentioned, however, the fact cannot be avoided that the preponderance of PTAs in the region will inevitably lead to overlap between agreements, diminishing the relevance of many, while straining the capacity of countries to manage them all effectively. The question was posed in this paper as to whether there might be an eventual need for some kind of common structure for PTAs, but clearly such an idea will take time to formulate properly, let alone implement, and may not be feasible any time soon. As a first step in this direction, however, and drawing on Lloyd's (2002) discussion, countries in the region might consider moving the regional trade agenda forward by combining some agreements that have common membership. While recognizing that member countries of various agreements may not all at this time see the need for such mergers, in the context of the Bangkok Agreement it is worth noting the interesting proposal of Kelegama (2001), who suggests that the Agreement and BIMST-EC are similar enough in membership for them to be joined. The presence of two additional South-East Asian countries, Myanmar and Thailand, in the Agreement would no doubt be welcome, as it would provide a more solid bridge within the Agreement between South and East Asia.<sup>13</sup> At the Fourth BIMST-EC Trade/Economic Ministerial Meeting, it was agreed to establish a group of experts to start work on a framework agreement on a BIMST-EC free trade area (BIMST-EC, 2003). With Bangkok Agreement member countries having demonstrated a similar desire for trade liberalization, the time may be right to consider a merger between these two agreements.

***Combining overlapping agreements could be one way to move the regional trade agenda forward***

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<sup>13</sup> Thailand was in fact one of the original signatory countries of the Bangkok Agreement, but did not subsequently ratify it. The Agreement would benefit from Thailand's entry, but a recent study (TDRI, 2003) shows that Thailand also stands to gain from membership in the Agreement, particularly if further trade liberalization within the Agreement were to take place.

With PTAs continuing to be formed in the region, and worldwide, it is unclear what the final outcome of the process will be, and which of these will remain standing in the long run. The outcome of the Fifth WTO Ministerial Conference has also led to talk concerning the possibility of an even stronger push towards regionalism and bilateralism (see, for example, Peters, 2003; Knowlton, 2003). From a welfare point of view, free or freer trade for all through multilateral liberalization is a first-best scenario (Bhagwati, 1992), and ideally the formation of PTAs should serve as building blocks, and not stumbling blocks, to global free trade.<sup>14</sup> Be that as it may, PTAs are a fact in the emerging trade picture, and in this complex scenario the potential of the Agreement remains a reality. If member countries stick to their commitment to the Agreement and build on the revitalization measures, the Bangkok Agreement may not only maintain its relevance as a PTA in the region but could also eventually contribute to defining the pattern of trade in Asia and the Pacific.

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<sup>14</sup> Useful summaries of the issues involved in assessing the relationship between PTAs and the multilateral trading system can be found in Laird (1999) and Panagariya (1999).



