



## Regional Trade Agreements in Asia and the Pacific – What is in the number?

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One would think that there is a straightforward answer to the question “**How many trade agreements are there in Asia-Pacific?**”. In fact, there are multiple answers that are all “correct” as they vary due not only to the source of the number, but also the specification of the agreements. We illustrate this by counting trade agreements for countries which are **regional members** of the **Economic and Social Commission of Asia and the Pacific (ESCAP)**. There are **58 such regional members and associate members**.<sup>1</sup> 31 of them are also WTO members and 11 are WTO observers. Besides using ESCAP’s own database APTIAD, we are looking into WTO’s and ADB’s as well:

**1. Asia-Pacific Trade and Investment Agreements Database (APTIAD)**

Hosted by **ESCAP** and available from [www.unescap.org/tid/aptiad](http://www.unescap.org/tid/aptiad)

**2. Regional Trade Agreements Information System (RTA-IS)**

Hosted by **World Trade Organization (WTO)** and available from <http://rtais.wto.org>

**3. Asia Regional Integration Center (ARIC)**

Hosted by **Asian Development Bank (ADB)** and available from <http://aric.adb.org>

Table 1 summarizes the total number of trade agreements using the regional ESCAP member countries as a benchmark. The number of trade agreements the databases would state for Asia and the Pacific varies significantly. This is easily explained by the different coverage of the databases. For example, WTO is a global database and records all the agreements where at least one of the members is a WTO member AND the agreement is notified (including early announcements) to the WTO secretariat.<sup>2</sup> In contrast, **APTIAD** tracks the agreements where at least one member is from the ESCAP region even where the

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<sup>1</sup> Full list and details on membership in ESCAP and WTO are available at [http://www.unescap.org/tid/member\\_status.pdf](http://www.unescap.org/tid/member_status.pdf)

<sup>2</sup> New WTO transparency provisions for RTAs (see Transparency Mechanism for RTAs, WTO document WT/L/671) provide for the "Early Announcement" of RTAs under negotiation and/or signed but not yet in force in addition to the legal notification of the agreement upon its entry into force.

agreement does not have to be notified. Therefore the number of agreements for the specified group of countries (i.e. ESCAP members) will be larger in APTIAD than in the WTO database. **ARIC** has the same requirements as APTIAD but it covers slightly different countries: while APTIAD includes Turkey and the Russian Federation, ARIC includes agreements of Taiwan Province of China.

In each database the total number of agreements is (much) higher from the number of agreements which are actually being implemented (i.e. in force). It is important to note this difference, as frequently commentators operate with the overall number of agreements from the databases, which includes (as obvious from Table 1) many agreements under negotiation or under consideration and thus inflates the extent of regionalism. Some of these proposed or “under negotiation” trade agreements may never materialize.

**Table 1. Three databases and three counts of RTAs**

Database	Total number of agreements in the database	Based on ESCAP regional members				
		In force	Notified to WTO	Pending ratification	Under negotiation	Residual category (proposed or other)
<b>APTIAD</b>	160	110	105	13	37	--
<b>RTA-IS</b>	286 <sup>*3</sup>	101	126 (including early announcements)	4 (signed)	21	--
<b>ARIC</b>	233	86	92	26 (signed)	59 (under negotiation)	55

Source: respective databases accessed on 8 September 2010

Note: \* denotes number of agreements globally. The subset of agreements associated with the ESCAP member countries is 126.

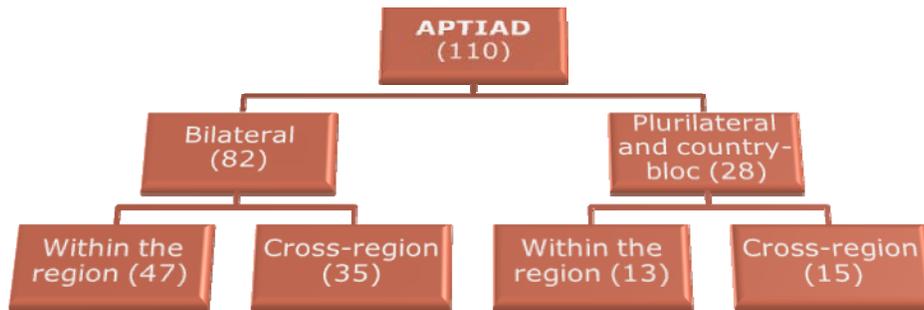
In addition to the overall count of trade agreements and their status, databases are helpful in mapping of the regional trade agreements. Figures 1 (a-c) illustrate the landscape of regionalism for each of the three databases, based only on the agreements which are recorded as “in force”. As expected, the largest chunk of trade deals are negotiated between two partners: bilateral trade agreements make up 75 per cent of all agreements in APTIAD, 76 per cent in the WTO database and 80 per cent in ARIC database. What is somewhat

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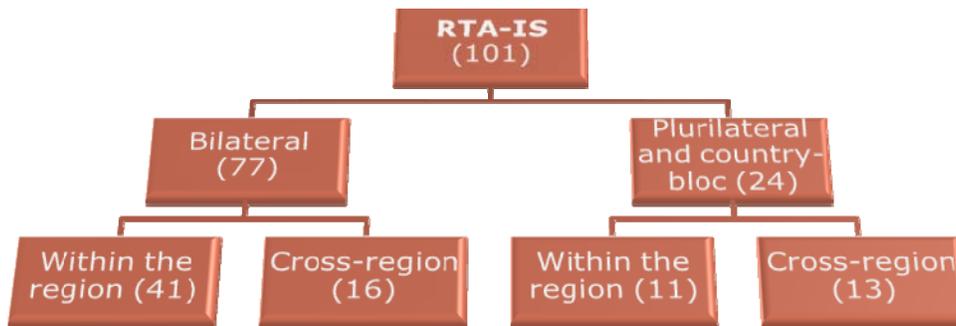
<sup>3</sup> WTO records on RTAs reflects the legal notification rather than the physical number of RTAs. For example, for an RTA that includes both goods and services commitments, there are two notifications, one for the goods aspects (Article XXIV of GATT 1994 or the Enabling Clause) and one for the services aspects (GATS Article V) even though it is only one RTA.

surprising is that a significant share of trade agreements is signed between partners in different geographical regions. For example, close to 45 per cent of all “in force” agreements in APTIAD are between countries in Asia-Pacific and partners in other regions in the world (this share is 38 per cent for the ARIC database).

**Figure 1a: Landscape based on APTIAD**



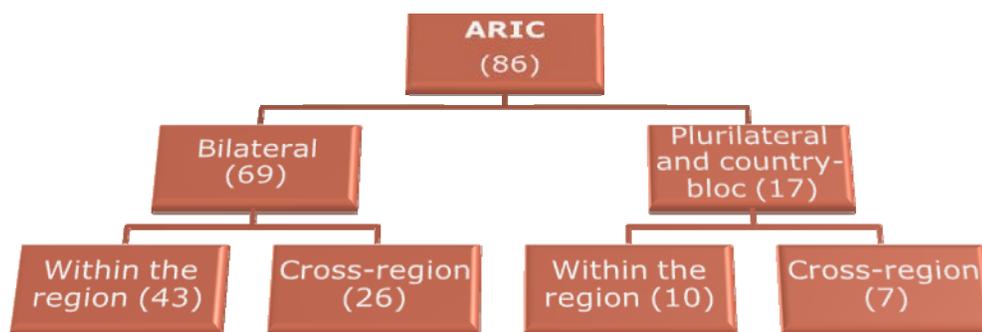
**Figure 1b: Landscape based on RTA-IS<sup>4</sup>**




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<sup>4</sup> This chart comprises only agreements where at least one member is also an ESCAP member. For the WTO database, the total number of physical RTAs is the total number of notifications minus RTAs in services and notifications of accessions to existing RTAs. Furthermore, a “bilateral” agreement is defined as an agreement between two parties even though the party may include more than one country (i.e. EU-Turkey). Definitions of intra- and extra-regional RTAs vary. In our case please refer to the “user guide” of the RTA-IS database which lists the regions by definition used.

**Figure 1c. Landscape based on ARIC**



Databases also provide information on the basis of which an analysis of the liberalization depth of the agreements could be done. This could start by a simple observation of the type of the agreements negotiated, from the “partial scope” agreements typically looking at a limited liberalization with respect to the coverage of trade and cuts in barriers, to the more substantive liberalization deals, such as free trade agreements and customs union. Based on APTIAD entries, one quarter of all agreements under implementation seem to have weak “biting” liberalizing effect as they belong to partial scope and framework agreements (Table 2). The predominant share is captured by free trade agreements including services deals, while only two customs unions are associated with the Asian region. Notice that a more comprehensive ex-post analysis is necessary to assess the generation of new trade among the members of an agreement. Such an analysis is not the objective of this note.

**Table 2. Overview of typology of trade agreements recorded in APTIAD**

	Bilateral (2 countries)	Plurilateral (3 or more countries*)
PTA (Preferential Trade Agreement)***	9	7
FTA (Free Trade Agreement)	42	9
CU (Customs Union)	0	2
EIA (Economic Integration Agreement)**	27	4
FA (Framework Agreement)	6	6
<b>Total</b>	<b>84</b>	<b>28</b>

\* Including the bloc; \*\* most of which are FTA and EIA combinations; \*\*\* in WTO jargon known as “partial scope” agreements

Regional trade agreements as a topic has been explored in trade literature from many different angles, covering all type of economies and using different analytical methods. One strand of literature is particularly rich – the one dealing with the relationship between regional and multilateral trade liberalization. Still, there is no clear and uniform consensus on whether RTAs act as a stepping stone or as stumbling block to the multilateral process of achieving global free trade. One simple argument made among the commentators in favour of the latter refers to the situation where a country's foreign trade is increasingly covered by the agreements with its trading partners. If such coverage ratio for example accounts for up to 80-90 per cent of a country's foreign trade, it is easy to see why there would be little incentive for such a country to engage in the multilateral process. Furthermore, if only a small fraction of trade is indeed left uncovered by RTAs, it might be the case that this is that fraction which a country does not wish to include in the liberalization agenda at all.

**Table 3. How much trade of ESCAP countries is covered with trade among them and their RTA partners?**

ESCAP's members with RTAs	Coverage ratio	ESCAP's members with RTAs	Coverage ratio
Share of <i>intra-RTA</i> exports in their <i>total</i> exports to the world	35.16%	Share of <i>intra-RTA</i> exports in their <i>extra-RTA</i> exports	54.21%
Share of <i>intra-RTA</i> imports in their <i>total</i> imports from the world	35.30%	Share of <i>intra-RTA</i> imports in their <i>extra-RTA</i> imports	54.56%

Referring back to the APTIAD, the coverage of trade of all ESCAP members having some preferential trade agreement was calculated (Table 3). Relative to the total export and import of the ESCAP countries with the world, the exports with the region's RTA partners amount to 35.16 per cent and the imports to 35.60 per cent. Alternatively, the ratio of this intra-RTA trade was calculated also with reference to extra-RTA trade (right-hand cells in Table 3). On the export side the ESCAP members' trade is twice as large with countries with whom they do **not** have RTAs as compared to their export with the RTA partners. Similarly on the import side, they import twice as much from countries they do not have trade agreements with than with the countries who are their partners in RTAs. Therefore, the outcome of further multilateral liberalization under the Doha Development Agenda is likely to remain an issue of interest for ESCAP members as a whole.

## About APTIAD –

### YOUR GATEWAY TO INFORMATION ON PREFERENTIAL TRADE AGREEMENTS IN ASIA AND THE PACIFIC

In order to provide a useful tool for observers and stakeholders (government, researchers and policy analysts) to monitor and analyze the development of trade agreements in this new environment, Trade Policy Section of Trade and Investment Division (TID) of ESCAP launched an online database, known as **Asia-Pacific Trade and Investment Agreements Database** or **APTIAD** and available at <http://www.unescap.org/tid/aptiad>. It comprises three platforms: Trade Agreements Database (TAD); Interactive Trade Indicators (ITI) and Glossary.

**Trade Agreements Database** platform provides detailed descriptive and updated information on the provisions of regional trade agreements (RTAs) / bilateral trade agreements (BTAs) involving one or more members from the ESCAP region that are either signed, in force or under negotiations. By November 2010 there were 160 such agreements, including those agreements that have not been notified to the WTO but for which there is official information readily available, and also those agreements under negotiation for which there has been at least a first formal negotiation round.

The online database allows searches in two ways. One relates to the **agreements** themselves where users could search by titles, members, key terms, types and scopes of agreements and their status. Another one is the possibility to search **publications** relevant to regional integration and trade agreements. For easier use of the database, users can download a **Glossary** of related terms. There are also links to national **trade statistics** of each country. The database is continuously updated and expanded to include statistics on trade flows between countries that are members of individual agreements. Furthermore indicators to monitor performance of trade agreements are developed and calculated for individual economies and trade agreements in the region. Some of the indicators are: export propensity, trade dependence, trade shares, export-import coverage, normalized trade balance, and trade shares.

Furthermore an **Interactive Trade Indicators** platform allows for a calculation of a number of other indicators including export growth rates, trade complementarity, revealed comparative advantage, or intra-industry trade. These indicators allow for quick and easy monitoring of developments in trade patterns and trade flows at single economy and trade agreements levels.



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