

Trade and Investment Agreements between Asia-Pacific and Latin America¹

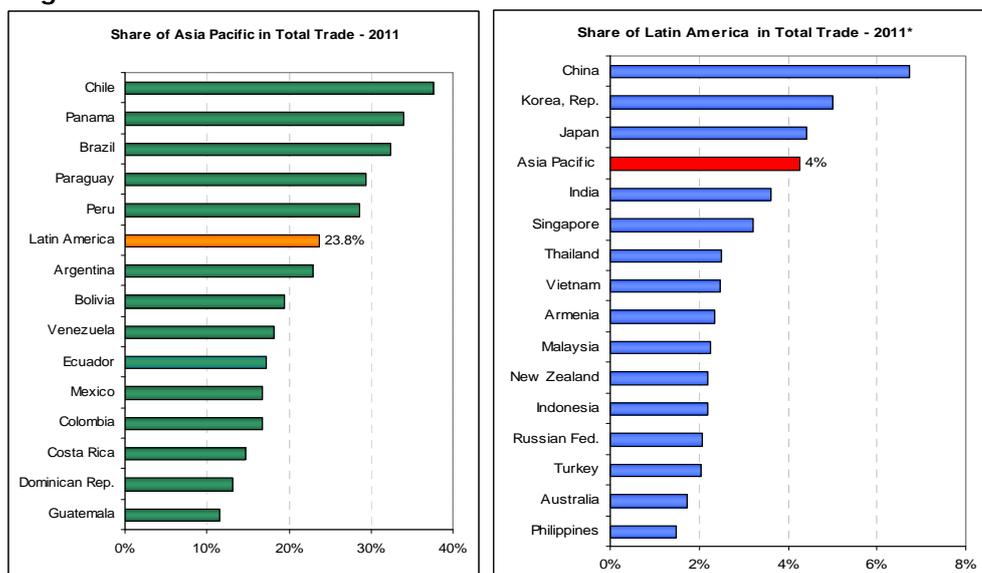
1. Increasing trade between Asia-Pacific and Latin America

Trade between Asia-Pacific and Latin America has followed a positive trend and registered accelerated growth from 2002 to 2011. During this period, the contraction of world trade in 2009 did not spare trade between Asia-Pacific and Latin America, which also fell but then quickly bounced back and fully recovered already in 2010.

As a result, Asia-Pacific as a whole has become an important trading partner for Latin America, doubling its share in Latin America's total trade from 12% in 2002 to about 24% in 2011. Meanwhile, Latin America's share in Asia-Pacific's total trade is still at low 4% level in 2011.

The Latin American countries most dependent on trade with Asia-Pacific in 2011 were: Chile, Panama, Brazil, Paraguay and Peru. On the other side, the Asia-Pacific countries with the largest share of trade with Latin America in their total trade were: China, Republic of Korea, Japan, India and Singapore.

Figure 1: Trade between Asia-Pacific and Latin America as a share in total trade



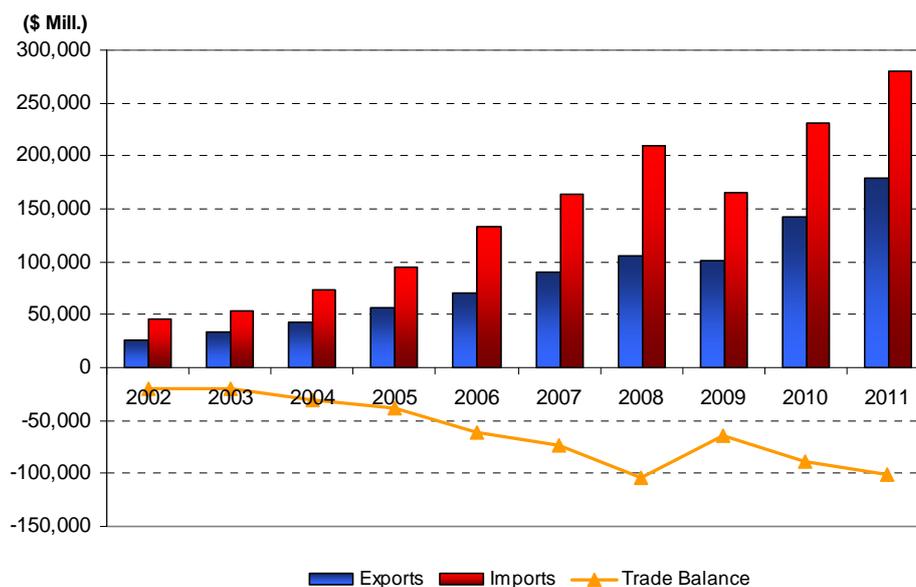
Source: United Nations Commodity Trade Statistics Database (COMTRADE) accessed through WITS
*2010 for India and Viet Nam

¹ This note was prepared by Mariella Amemiya (Harvard University) during her internship at TID in 2012, based on information from the Asia-Pacific Preferential Trade and Investment Agreements Database (APTIAD), United Nations Commodity Trade Statistics Database and references listed in the footnotes. For the purposes of this note Asia-Pacific is defined as ESCAP regional members and associate members within Asia-Pacific with available trade statistics. Latin America includes: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Uruguay and Venezuela.

In terms of relative size, Asia-Pacific is more important as a source of imports of Latin America, than as a destination for Latin-American exports. Asia-pacific share in total Latin American imports increased from 16% in 2002 to 29% in 2011, while in the case of exports, Asia-Pacific's share increased from 9% in 2002 to 19% in 2011.

A persistent feature of the trade relationship between these two regions is the increasing trade deficit of Latin America. Based on data reported by Latin American countries, in 2011 exports to Asia-Pacific reached \$179 billion while imports from that region amounted to \$280 billion.

Figure 2: Latin America's trade with Asia-Pacific



Source: United Nations Commodity Trade Statistics Database (COMTRADE) accessed through WITS

As expected (cf. APTIR, 2011) China represents a significant and increasing part of Latin America's trade with Asia-Pacific. China's share in Latin America's exports to Asia Pacific has increased from 25% in 2002 to 48% in 2011, while its share in imports increased from 24% in 2002 to 52% in 2011.

In terms of the composition of goods traded between Latin America and Asia-Pacific, exports from Latin America have been concentrated in raw materials and intermediate goods. However, the share of raw materials has increased significantly to account for more than 60% of total exports to Asia-Pacific in 2011. Imports of Latin America from Asia-Pacific are concentrated in capital and consumer goods, which account for almost 80% of the value of total imports from the region.

Further economic integration between these two regions may contribute to improving the resilience of both regions and to creating further employment opportunities and therefore contribute to increased welfare of their peoples. However, in order to increase trade and investment between the Asia-Pacific and Latin America, governments in both regions need to be proactive to reduce barriers to trade and create more favorable business environments. One policy option to impact trade barriers is to engage in preferential trade agreements.

Figure 3: Exports from Latin America to Asia-Pacific by type of product

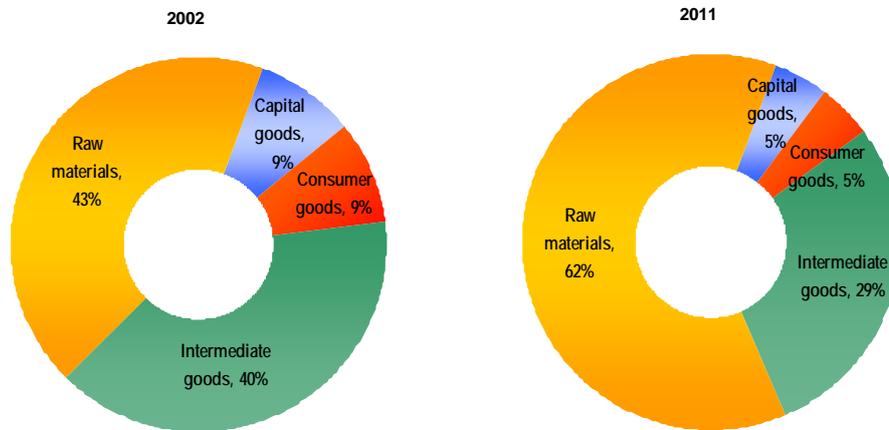
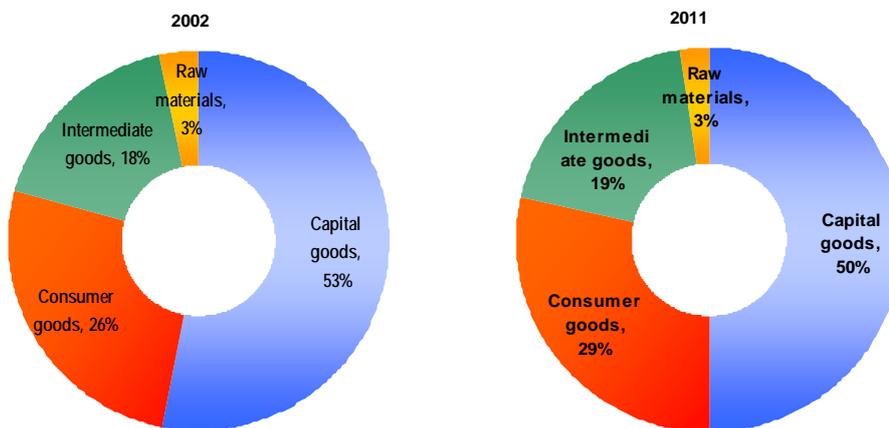


Figure 4: Imports of Latin America from Asia-Pacific by type of product



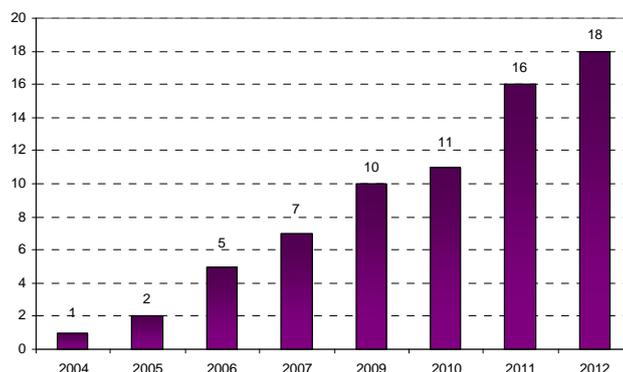
Source: United Nations Commodity Trade Statistics Database (COMTRADE) accessed through WITS

2. Preferential trade agreements between Asia-Pacific and Latin America

The first free trade agreement (FTA) between a Latin American country and an Asia-Pacific country was the one signed between Chile and the Republic of Korea, which entered into force in 2004.

Since then, the number of FTAs signed and implemented has been increasing annually to a total of 18 as of July 2012.

Figure 5: Number of FTAs in force between Latin America and Asia-Pacific



Source: APTIAD (July 2012)

In addition to the agreements currently in force, there is one agreement signed but pending implementation and six agreements under negotiation (APTIAD online, accessed in July 2012).

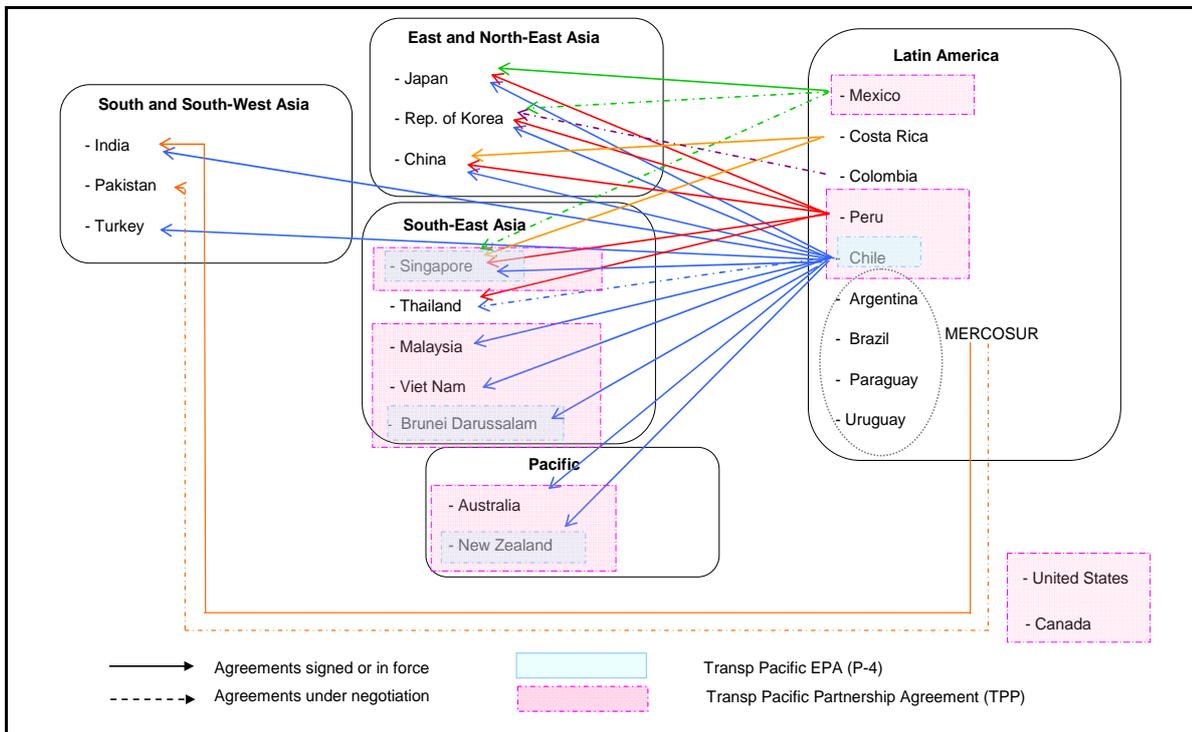
Table 1: FTAs between Latin America and Asia-Pacific by status

Name of the Agreement	Year*
In force	
Rep. of Korea - Chile FTA	2004
Japan - Mexico EPA	2005
China - Chile FTA	2006
Trans Pacific EPA (P-4)	2006
Panama - Singapore FTA	2006
India - Chile PTA	2007
Japan - Chile EPA	2007
Australia - Chile FTA	2009
India - MERCOSUR PTA	2009
Singapore - Peru FTA	2009
China - Peru FTA	2010
Turkey - Chile FTA	2011
Viet Nam - Chile FTA	2011
China - Costa Rica FTA	2011
Rep. of Korea - Peru FTA	2011
Peru - Thailand PTA	2011
Malaysia - Chile FTA	2012
Japan - Peru FTA	2012
Signed - Pending Implementation	
Singapore - Costa Rica FTA	2010
Under Negotiation	
Singapore - Mexico FTA	2000
Pakistan - MERCOSUR PTA	2006
Rep. of Korea - Mexico FTA	2006
TPP	2009
Rep. of Korea - Colombia FTA	2009
Thailand - Chile FTA	2010

Source: APTIAD (accessed July 2012)

*year refers to year of entry into force, signal, or start of negotiations

Figure 6: FTAs between Latin America and Asia-Pacific



Considering the Asia-Pacific partners in these agreements, around 70% of the agreements negotiated are with countries in East and North-East Asia (Republic of Korea, Japan and China) or in South-East Asia (Singapore, Thailand, Viet Nam and Brunei Darussalam).

As for Latin America, Chile and Peru are the countries that have engaged in the most FTA negotiations with Asia-Pacific countries, followed by Mexico, MERCOSUR and Costa Rica. As of July 2012, Chile is part of 9 agreements that are currently in force and of 2 agreements that are under negotiation. It is also worth noting that 13 out of 18 agreements currently in force as well as 4 of the 6 agreements under negotiation involve partners that are members of APEC. This shows that APEC has been an important platform to promote economic integration.

Table 2: FTAs by Asia-Pacific subregions

ESCAP sub-region	In force	Signed - Pending implementation	Under negotiation	Total
East and North-East Asia	8		2	10
South-East Asia	5	1	2	8
South and South-West Asia	3		1	4
South-East Asia + Pacific	1		1	2
Pacific	1			1
Total Asia Pacific	18	1	6	25

Source: APTIAD (July 2012)

Furthermore, the majority of FTAs negotiated between Asia-Pacific and Latin American partners take the form of bilateral agreements. The two agreements that are country-bloc agreements are the ones negotiated by MERCOSUR, itself a customs union. Only two of the agreements are plurilateral and are related to each other: the Trans Pacific EPA (P-4) and the currently negotiated TPP.

Table 3: FTAs by composition

Partners	In force	Signed - Pending implementation	Under negotiation	Total
Bilateral	16	1	4	21
Country - Bloc	1		1	2
Cross-Continental Plurilateral	1		1	1
Total	18	1	6	25

Source: APTIAD (July 2012)

In terms of transparency of FTAs under the WTO framework, 15 out of 18 agreements currently in force have been notified to the WTO. Most of these agreements have been notified under Article XXIV of GATT and Art V of GATS. Only 2 have been notified under the Enabling Clause, both involving India as a partner to the Agreements.

Table 4: FTAs by status and notification to the WTO

Notification	In force	Signed - Pending implementation	Under negotiation	Total
Early announcement		1	1	2
Enabling Clause	2			2
GATT Art XXIV	1			1
GATT Art XXIV, GATS Art V	12			12
No Notification	3		5	8
Total	18	1	6	25

Source: APTIAD (July 2012)

The assessment of the coverage and depth of FTAs between Asia-Pacific and Latin America requires a detailed analysis of the legal texts of these agreements and their annexes. APTIAD allows for a preliminary evaluation of the content of FTAs in Asia-Pacific, focusing on agreements that are in force and for which the legal texts are available.

In this sense, based on the information provided by APTIAD as of July 2012, two thirds (12 out of 18) of the FTAs currently in force between Latin American and Asia-Pacific countries cover the liberalization of trade in goods and services (FTA + EIA), which is an indicator of deeper economic integration. Additionally, three FTAs signed by Chile only cover goods and the two agreements signed by India provide for partial tariff elimination on goods (not full coverage of products or full tariff elimination). Finally, the agreement between Peru and Thailand is a Framework Agreement which also only covers liberalization of trade in goods.

Table 5: FTAs by coverage

Agreement	Framework Agreement	Free Trade Agreement	FTA & EIA	Preferential Trade Agreement
Australia -Chile FTA			X	
China - Chile FTA			X	
China - Costa Rica FTA			X	
China - Peru FTA			X	
India - Chile PTA				X
India - MERCOSUR PTA				X
Japan - Chile EPA			X	
Japan - Mexico EPA			X	
Japan - Peru FTA			X	
Rep. of Korea - Chile FTA			X	
Rep. of Korea - Peru FTA			X	
Malaysia - Chile FTA		X		
Panama - Singapore FTA			X	
Peru - Thailand PTA	X			
Sinagpore - Peru FTA			X	
Trans Pacific EPA (P-4)			X	
Turkey - Chile FTA		X		
Viet Nam - Chile FTA		X		
Total	1	3	12	2

Source: APTIAD (July 2012)

A complementary way to analyze the coverage of trade agreements between Asia-Pacific and Latin America is to assess whether they promote deeper integration by including provisions and disciplines that go beyond the liberalization of trade in goods and services.

Table 6 summarizes the inclusion of disciplines in areas such as intellectual property rights (IPR) or the so called “Singapore issues”: investment, government procurement, trade facilitation, and competition policy; subjects where there are still no agreed multilateral disciplines. Their inclusion in regional trade agreements indicate the increasing importance of covering additional areas where there may be barriers to trade and investment between countries, including behind the border barriers.

From the 18 trade agreements that are currently in force among countries from Latin America and Asia-Pacific, 12 cover provisions dealing with intellectual property protection, 15 include trade facilitation provisions, 10 agreements have investment provisions and 9 include government procurement and competition policy chapters. However, among these agreements there is wide variation in the specific disciplines and commitments included for each topic.

Moreover, table 6 shows that agreements involving developed countries in Asia –Pacific (Australia, Japan, Republic of Korea and Singapore) tend to promote deeper integration, covering these new topics among others. In the case of the Latin American partners, Chile and Peru are the ones that have engaged in deeper integration schemes with Asia-Pacific, mainly after their respective negotiations of free trade agreements with the United States. The Korea-Peru FTA is the one of the most comprehensive agreements signed between

countries from these two regions. This agreement not only covers goods and services liberalization, but also IPR, all the Singapore Issues, Labour and Environmental standards, and Cooperation.

Table 6: New issues in FTAs between Latin America and Asia-Pacific

Agreement	Intellectual Property	Singapore Issues			
		Gov. Procurement	Competition Pol.	Investment	Trade Facilitation
Australia -Chile FTA	X	X	X	X	X
China - Chile FTA	X				
China - Costa Rica FTA	X				X
China - Peru FTA	X			X	X
India - Chile PTA					X
India - MERCOSUR PTA				X	X
Japan - Chile EPA	X	X	X	X	X
Japan - Mexico EPA	X	X	X	X	X
Japan - Peru FTA	X	X	X		X
Rep. of Korea - Chile FTA	X	X	X	X	X
Rep. of Korea - Peru FTA	X	X	X	X	X
Malaysia - Chile FTA					X
Panama - Singapore FTA		X	X	X	X
Peru - Thailand PTA					X
Singapore - Peru FTA	X	X	X	X	X
Trans Pacific EPA (P-4)	X	X	X	X	X
Turkey - Chile FTA	X				
Viet Nam - Chile FTA					
Number of Agreements	12	9	9	10	15

Source: APTIAD (July 2012)

Trans Pacific Partnership (TPP): A XXI Century Agreement²

The Trans-Pacific Partnership Agreement is a new trade negotiation initiative launched by the leaders of 8 APEC Economies (Australia, Brunei Darussalam, Chile, New Zealand, Peru, Singapore, Vietnam, and the United States) in November 2009. Later in 2010 Malaysia joined the negotiations and recently in June 2012, Canada and Mexico incorporated. In this sense, the TPP is a plurilateral negotiation comprising countries from 3 continents: Asia, Oceania and America.

It is worth noting that all current parties of the TPP negotiation are members of APEC, but is intended to be a living agreement and open for additional members. In this sense, the TPP Agreement has the potential to be a building block for the Asia – Pacific regional economic integration.

This agreement builds on the Trans-Pacific Strategic Economic Partnership Agreement (P4) between Brunei Darussalam, Chile, New Zealand and Singapore, which entered into force in 2006. The new initiative aims to be a comprehensive and ambitious agreement that enhances trade and investment, promote innovation, economic growth and development among its members.

The current negotiation process covers Market Access (agriculture, industrial, textile), Rules of Origin, Customs Procedures, SPS, TBT, Government Procurement,

² Based on information from the United States Trade Representative (USTR) www.ustr.gov; the Ministry of Foreign Trade and Tourism of Peru (MINCETUR) www.mincetur.gob.pe, and the Department of Foreign Affairs and Trade of Australia (DFAT) www.dfat.gov.au.

Intellectual Property, Trade Remedies, Competition Policy, Cross Border Trade in Services, Financial Services, Temporary Entry, Telecommunications, E-Commerce, Investment, Environment, Labour, Cooperation and Capacity Building, Institutional Arrangements, Dispute Settlement, and Horizontal Issues (regulatory coherence, competitiveness and business facilitation, SMEs and development).

3. Lessons and challenges for increasing trade between Asia-Pacific and Latin America

Even though the negotiation of FTAs between Latin America and Asia-Pacific started in mid 2000s with the agreement between the Republic of Korea and Chile, the number of agreements signed has increased in an accelerated pace. Furthermore, trade agreements among countries of these two regions are characterized by their ample coverage and the promotion of deeper integration through the inclusion of provisions that go beyond trade in goods and services.

This phenomenon reflects the increasing importance of trade, investment and cooperation relations between these two regions; and in a policy perspective, the new strategy that governments have chosen of using FTAs as policy instruments to promote further economic integration.

Nevertheless, trade agreements negotiated between these two regions involve limited number of countries from both sides, mainly high income countries of East-Asia and some countries in South-East Asia on one hand and Chile and Peru in the case of Latin America. Trade agreements currently in force only involve trade relations that account for 24% of trade between Latin America and the Pacific in 2011, which rises to 30% if we consider agreements signed and under negotiation. Therefore, there is still plenty of space to increase the number of agreements between these two regions to further market access and improving business environment.

Moreover, existing trade agreements between Latin America and Asia-Pacific can also be revised to increase their scope and coverage to promote deeper integration. Additional efforts are needed to facilitate trade and address the so called "noodle bowl" created by the proliferation of rules of origin due to the multiple FTAs. In this sense, governments should consider ways to manage the rules to allow wider cummulation, as ways to encourage the use of preferential regimes and to promote the further linkages to production networks (alternatively known as value chains).

Governments should also consider policies aimed at increasing the effective use of FTAs by their business sectors, in particular SMEs. Signing and putting into force agreements is just the first step, but this would only be meaningful if the private sector is able to benefit from the preferential treatment. In this sense, governments should make efforts to raise awareness of the benefits of trade agreements, and increase the competitiveness of their export supply.

Finally, its is important to note that FTAs are only one type of policy instruments to promote economic integration in the global economy, and that they should complement multilateral liberalization of trade and investment, and in some cases be building blocks for further strengthening the multilateral trading system.

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 Asia-Pacific region that are either signed, in force or under negotiations. By July 2012 there were 223 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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