Session 4: Research update on regional trade arrangements and emerging issues

Based on the paper “Mapping PTAs in Asia and the Pacific” (on CD)

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Outline of presentation

• Introduction
• Status of RTAs in ESCAP region
• Status of research on RTAs - Emerging generalizations
• Which ways forward?
Introduction: APTIAD
www.unescap.org/tid/aptiad

125 PTAs

SEARCH
Status of RTAs in ESCAP: facts

- Bilateralism option
- Large number of “regulations of commerce” mutually conflicting and mismatching and not compliant with GATT Art XXIV
- Number of agreements in implementation per country (much) smaller than number of agreements under negotiations
- If MFN-WTO is for the rules, and RTA for trade liberalization, then RTA are not delivering it either
- Trade diversion not significant (?)
  - Agreements to increase trade
  - Agreements for non-trade (non-economic) objectives
Status of RTAs: Bilateral option

- PTA 87
  - BTA 62 (48 R + 14XC)
    - FTA 50
    - FA 7
    - CU and others 5
  - Country-bloc 11
    - FTA 4
    - FA 6
    - Others 1
  - RTA 11
    - FTA 4
    - FA 2
    - CU and others 5
Status: Noodle bowl effect
Status: Multiple memberships
## Status: ‘trade-less’ agreements

<table>
<thead>
<tr>
<th></th>
<th>Share in total ESCAP trade 2005 (%)</th>
<th>Share in total world trade 2005 (%)</th>
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<tbody>
<tr>
<td>BTAs (61 BTAs)</td>
<td>16.2</td>
<td>4.7</td>
</tr>
<tr>
<td>- Regional (33 BTAs)</td>
<td>6.6</td>
<td>1.9</td>
</tr>
<tr>
<td>- Other (28 BTAs)</td>
<td>9.6</td>
<td>2.8</td>
</tr>
<tr>
<td>RTAs (11 RTAs)</td>
<td>13.2</td>
<td>3.9</td>
</tr>
<tr>
<td>- Regional (6 RTAs)</td>
<td>10.2</td>
<td>3.0</td>
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<tr>
<td><strong>Total preferential trade</strong></td>
<td><strong>29.4</strong></td>
<td><strong>8.6</strong></td>
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<tr>
<td><strong>Total ESCAP trade</strong></td>
<td><strong>29.2</strong></td>
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</table>
Status: ‘trade-less’ agreements
Status: “Beyond the goods” sectoral coverage

Number of agreements with provisions in

- Labour mobility: 11
- Competition: 22
- Gov. procurement: 23
- Services: 24
- Trade facilitation: 26
- IPR: 28
- Investment: 33

[Diagram showing the number of agreements with provisions in different sectors, with bars for all agreements and RTAs.]
Status of research on RTAs

• Systemic - relationship to multilateralism
  – motivation for inter-country cooperation [Low, 2007-ARTNeT slides]
  – political stability / peace [Martin, Mayer and Thoenig (2005); Schiff and Winters (2003)]
  – human security/ rights / sovereignty [Langhammer (2007)]
Status of research on RTAs

• Modeling - impacts
  – trade flows and welfare (trade creation and trade diversion) [Mayda and Steinberg (2007); Rodriguez-Delgado (2007); Baier and Bergstrand (2005)]
  – trade liberalization (level and type of protection) [Nitsch and Sturm (2005); Foroutan (1998)]
  – Poverty…
Status of research on RTAs

• Modeling - methods
  – CGE, mostly GTAP- see www.gtap.org
  – econometric; gravity increasingly popular
Status of research on RTAs

• Architecture-
  – With whom: [Schiff (1999):]
    • Natural partners (in what?)
    • Large countries – asymmetry and competitive market access
    • Intra-developing countries- competing exporters
  – What:
    • FTA, EPA, CU….
    • Only (all) goods, or everything to make it WTO compliant
    • Rules of origin
  – Within what time framework:
    • In line with WTO timeframes
  – Instrument(s) to drive liberalization
Any generalization based on empirical results?

Much is driven by type of agreement (FTA vs. others)

- Not resulting in sweeping trade liberalization
- More stumbling bloc then stepping stone
- Do not reduce trade costs
- Can drive broader cooperation
- Used as negotiating tactics
- Do not support “collective action” by developing countries
ARTNeT so far

- Sectoral approach (agriculture, banking and insurance services)
- Within sectoral approach, some GTAP quantification
- Some gravity modeling (India-GCC and others)
SOME remaining questions of interest for the region

- Links between type of the agreement and its institutional background to its performance
- Optimal number of agreements/members?
- Institutional framework for implementation and sovereignty
- Links to financial stability, FDI...
- Links to growth, development and poverty
Your feedback on APTIAD and other issues discussed would be welcome and much appreciated - thank you!

(for references, see paper)

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