Outline

- Trade flows – recent past and present
- Status of regional integration / RTAs in Asia-Pacific
- WTO disciplines on RTA - past, present and future
- Underlying issues in the field of RTA in Asia-Pacific
- Q&A
Export flows – recent past to present

Export Growth - world and regions

Year-on-Year Growth in per cent

World
North America
South and Central America
Europe
Asia
Export flows – recent past to present

Export Growth of Selected Countries

- China
- India
- Indonesia
- Republic of Korea
- Singapore
- Thailand
- Vietnam

Year-on-Year Growth in per cent

United Nations ESCAP
Economic and Social Commission for Asia and the Pacific
Import flows – recent past to present

Import Growth - world and regions

Year-on-Year Growth in per cent

World
North America
South and Central America
Europe
Asia
Import flows – recent past to present

Import Growth of Selected Countries

Year-on-Year Growth in per cent

-60.00%
-40.00%
-20.00%
0.00%
20.00%
40.00%
60.00%
80.00%
100.00%
120.00%

Jan-07
Mar-07
May-07
Jul-07
Nov-07
Jan-08
Mar-08
May-08
Jul-08
Sep-08
Nov-08
Jan-09
Mar-09
May-09
Jul-09
Sep-09
Nov-09
Jan-10
Mar-10

China
India
Indonesia
Republic of Korea
Singapore
Thailand
Locomotive gathering momentum?

[Graph showing year-on-year growth in per cent from January 2007 to March 2010. The graph compares China to US and (Selected) Asia to China.]
Status of regionalism in Asia-Pacific
RTAs explosion in Asia-Pacific
Preferential trade agreements on the rise

No. of RTAs

- Notified RTAs (goods, services & accessions)
- Inactive RTAs
- Cumulative RTA Notifications
- Cumulative Active RTAs


0 50 100 150 200 250 300 350 400 450
Asia-Pacific at same speed as the rest
### Architecture of Asia-Pacific RTAs

<table>
<thead>
<tr>
<th></th>
<th>Bilateral</th>
<th>Country-bloc</th>
<th>Regional</th>
<th>Plurilateral</th>
<th>Global (GSTP)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>within region</td>
<td>cross region</td>
<td>within region</td>
<td>cross region</td>
<td>within region</td>
<td>cross region</td>
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<tr>
<td>Customs union</td>
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<td>1</td>
<td>1</td>
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<td>2</td>
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<tr>
<td>FTA &amp; EIA</td>
<td>30</td>
<td>13</td>
<td>3</td>
<td>2</td>
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<td>1</td>
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<td>Preferential agreement</td>
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<td>2</td>
<td>4</td>
<td>1</td>
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<tr>
<td>Framework agreement</td>
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<td>3</td>
<td>2</td>
<td>2</td>
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<td>1</td>
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<tr>
<td><strong>Subtotal</strong></td>
<td>59</td>
<td>26</td>
<td>6</td>
<td>9</td>
<td>11</td>
<td>1</td>
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<tr>
<td><strong>Total</strong></td>
<td>85</td>
<td>15</td>
<td>12</td>
<td>2</td>
<td>1</td>
<td>115</td>
</tr>
</tbody>
</table>

**Notes:** Figures above include agreements that are in force or pending country ratification. Agreements under negotiation are not included.
### Amount of trade covered by RTA

<table>
<thead>
<tr>
<th>Country</th>
<th>No. of Trading Partners under RTAs</th>
<th>Share of Exports under RTAs</th>
<th>Share of Imports under RTAs</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>29</td>
<td>40.9</td>
<td>41.3</td>
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<tr>
<td>Singapore</td>
<td>22</td>
<td>67.5</td>
<td>65.1</td>
</tr>
<tr>
<td>Thailand</td>
<td>20</td>
<td>61.8</td>
<td>58.1</td>
</tr>
<tr>
<td>China</td>
<td>19</td>
<td>25.3</td>
<td>14.6</td>
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<tr>
<td>Republic of Korea</td>
<td>18</td>
<td>37.2</td>
<td>30.5</td>
</tr>
<tr>
<td>Malaysia</td>
<td>15</td>
<td>67.1</td>
<td>67.1</td>
</tr>
<tr>
<td>Philippines</td>
<td>14</td>
<td>63.6</td>
<td>63.7</td>
</tr>
<tr>
<td>Viet Nam</td>
<td>14</td>
<td>60.2</td>
<td>69.1</td>
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<td>Japan</td>
<td>12</td>
<td>14.9</td>
<td>15.6</td>
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<tr>
<td>Indonesia</td>
<td>11</td>
<td>69.3</td>
<td>78.3</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>8</td>
<td>3.7</td>
<td>25.0</td>
</tr>
<tr>
<td>Lao PDR</td>
<td>7</td>
<td>30.9</td>
<td>20.8</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>7</td>
<td>10.6</td>
<td>49.9</td>
</tr>
</tbody>
</table>

Source: Calculated based on Comtrade 2008 data downloaded from WITS
WTO disciplines on RTAs
**Primacy of MTS as an optimal liberalization path**

- MTS is the pillar of non-discrimination – MFN (most-favoured nation principle)
  
  *Why then over 100 agreements in AP and more than 250 in the world?*

- Several reasons (list non-exhaustive):
  1. MTS too slow or not able to deliver market access
  2. Competitive liberalization
  3. Domino effect
  4. Credibility for reforms/national security
  5. Enabling learning among “willing partners”
  6. Etc…
RTAs – Complementary to MTS or BAD idea?

- Free trade based on CA – many factors necessary to make it work; ‘policy space’ needed for LEARNING BY DOING (trading, negotiation, etc)
  ⇒ MTS “minus” variants

- MTS too restrictive (scope, extent of liberalization, etc)⇒ MTS “plus” variants

- In both cases justified from perspective of the parties involved; what about THIRD PARTIES?
TRADE CREATION vs TRADE DIVERSION

- Cannot say much A PRIORI
- KEMP-WAN-VANEK theorem provides some solution but in practice not easy
- This uncertainty about NET RESULT led to built-in waivers in GATT and WTO (exceptions):
  - ART XXIV GATT
  - ART V GATS
  - Enabling Clause
- No agreement in conformity with the WTO (?)
- Flexibility resulted in proliferation of RTAs….
Exceptions conditional
– Art XXIV

Article XXIV 1947 (at least 3 stories on how it appeared)

Conditions:
– Neutrality requirement (5 a and b)
– Transparency requirement (7a)
– Commitment to deep integration - substantially all trade in a reasonable time (8 a and b)
– Compensation requirement (6 ref to Art XXVIII)

Uruguay Round Understanding
Establishement of CRTA in 1996
Enabling Clause 1979

- Notification (4a and b)
- UR-
- For partial scope agreements
- CTD
GATS V 1995

- Substantial sectoral coverage (1 a)
- No a priori exclusion of any mode of supply (footnote to 1a)
- Eliminate substantially all discrimination – provide national treatment within a reasonable time (1b)
- Note that agreements are called EIAs, notified to CTS for all members (no separate treatment of Ding countries)
Waiver clause

- GATT XXV:5 – members jointly can waive an obligation, including MFN, imposed upon another member
- In pre-WTO history 28 waivers granted, most for non-reciprocal preferences
(a) Issues of systemic (substantive) nature; 
(b) Issues of a procedural nature with a focus on:
   (i) Improving transparency with respect to RTAs; and 
   (ii) Improving procedures for the consideration/surveillance of RTAs by WTO.
Systemic issues

(a) Issues related to the interpretation of the existent disciplines under Article XXIV of GATT and Article V of GATS;
(b) Issues related to coherence between the existent RTAs rules, and between those rules and other disciplines in the WTO agreements;
(c) Issues related to potential institutional tensions and potential conflict between RTAs and MTS;
(d) Identification of the “developmental aspects” of RTAs and how to best reflect these aspects in RTAs rules in WTO.
Procedural issues - Transparency Mechanism

- One tangible result of DDA negotiation (so far)
- Offers systematic way of gathering information and surveying; but no ground for DS?
- Factual presentation distributed for a number of RTAs
  - Thailand - NZ (goods)
  - Thailand – Australia (goods and services)
  - Armenia – Moldova (goods)
  - Republic of Korea - Chile (goods and services), etc.
- Many more Factual Abstracts and presentations “in preparation; equally many ‘on hold’
Notes:

a No later than directly following the parties’ ratification and before the application of preferential treatment.
b In a period not exceeding one year after notification date.
c Data submission not exceeding 10 weeks (20 weeks for developing countries) after notification date.
d Data circulated not less than eight weeks in advance of the meeting; questions transmitted at least four weeks before the meeting, and together with replies distributed three working days before the meeting.
*e A single session; convened by CRTA for RTAs falling under Article XXIV of GATT or Article V of GATS; under CTD for RTAs under #2(c) of the Enabling Clause
f Of changes affecting implementation as soon as they occur.
The following table shows all RTAs in force, sorted by WTO Legal Cover:

<table>
<thead>
<tr>
<th></th>
<th>Accessions</th>
<th>New RTAs</th>
<th>Grand total</th>
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</thead>
<tbody>
<tr>
<td>GATT Art. XXIV (FTA)</td>
<td>2</td>
<td>153</td>
<td>155</td>
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<tr>
<td>GATT Art. XXIV (CU)</td>
<td>6</td>
<td>9</td>
<td>15</td>
</tr>
<tr>
<td>Enabling Clause</td>
<td>1</td>
<td>28</td>
<td>29</td>
</tr>
<tr>
<td>GATS Art. V</td>
<td>3</td>
<td>76</td>
<td>79</td>
</tr>
<tr>
<td><strong>Grand total</strong></td>
<td><strong>12</strong></td>
<td><strong>266</strong></td>
<td><strong>278</strong></td>
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</table>

The following table shows all RTAs in force, sorted by Type of Agreement:

<table>
<thead>
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<th></th>
<th>Enabling clause</th>
<th>GATS Art. V</th>
<th>GATT Art. XXIV</th>
<th>Grand total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customs Union</td>
<td>6</td>
<td>9</td>
<td></td>
<td>15</td>
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<td>Customs Union - Accession</td>
<td>0</td>
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<tr>
<td>Economic Integration Agreement</td>
<td></td>
<td>76</td>
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<tr>
<td>Economic Integration Agreement - Accession</td>
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<td></td>
<td>3</td>
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<tr>
<td>Free Trade Agreement</td>
<td>9</td>
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<td></td>
<td>162</td>
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<tr>
<td>Free Trade Agreement - Accession</td>
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<td></td>
<td>2</td>
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<td>Preferential Trade Agreement</td>
<td>13</td>
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<td>13</td>
</tr>
<tr>
<td>Preferential Trade Agreement - Accession</td>
<td>1</td>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td><strong>Grand total</strong></td>
<td><strong>29</strong></td>
<td><strong>79</strong></td>
<td><strong>170</strong></td>
<td><strong>278</strong></td>
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The following table shows all RTAs in force, sorted by Status in the WTO Consideration Process:

<table>
<thead>
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<th>Enabling Clause</th>
<th>GATS Art. V</th>
<th>GATT Art. XXIV</th>
<th>Grand total</th>
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<tbody>
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<td>Factual Presentation in preparation</td>
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<td>Factual Presentation on hold</td>
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<td>Factual Abstract in preparation</td>
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<td>10</td>
<td>23</td>
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<td>16</td>
<td>33</td>
<td>52</td>
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<td>Report adopted</td>
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<td>17</td>
<td>18</td>
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<tr>
<td>No report</td>
<td>8</td>
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<td>0</td>
<td>8</td>
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<tr>
<td><strong>Grand total</strong></td>
<td><strong>29</strong></td>
<td><strong>79</strong></td>
<td><strong>170</strong></td>
<td><strong>278</strong></td>
</tr>
</tbody>
</table>

Source: [http://rtais.wto.org/UI/publicsummarytable.aspx](http://rtais.wto.org/UI/publicsummarytable.aspx)
Future?

- Transparency, transparency and transparency
- Developmental aspects?

More stuff to put in!!!!!
Underlying issues in Asian RTAs
Asian BTAs compared to RTAs deliver

- ‘Deeper’ cuts in trade barriers, but selective
  – and thus more protectionism through exemptions
- More trade restrictive rules of origin, thus potentially neutralizing liberalization efforts as make utilization of preferences “expensive”
- Cooperation in more policy areas covering many directions spanning economic, social, political, security policy making
RoO in Asia-Pacific

- Although very diverse, generally less sector-specific, relatively liberal, less complex than in other regions, but recent bilateral agreements are changing the landscape and bringing warning signs about RoO increasing costs of trade.

- Rules of origin for textiles and clothing are more restrictive than for other goods in most RTAs and GSP schemes.
“Beyond the goods” sectoral coverage

Number of agreements with provisions in:

- Labour mobility
- Competition
- Gov. procurement
- Services
- Trade facilitation
- IPR
- Investment

- All agreements
- RTAs
EIAs* – services in force with at least one member from Asia-Pacific

* Economic Integration Agreements

Source: WTO RTA Database
Where next – towards multilateralization of PTAs?

- Global – WTO and TMRTA
- Regional – consolidation of PTAs:
  - Geographical
  - Functional
  - Institutional
- National – inclusive decision making for inclusive growth
At national levels:

- Disconnect in pursuit of trade liberalization through MTS and PTAs:
  - Policy space (investment, competition, services, IPRs, etc)
  - Market access BUT restrictive Rules of Origin

- Weak institutional dimensions
  - Consultative processes during negotiations
  - Monitoring and evaluation of implementation (no appropriate bodies)
Thank you for your feedback.

www.unescap.org/tid/aptiad
www.artnetontrade.org