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Canadian Agricultural Trade Policy And Competitiveness Research Network

REGIONAL AGREEMENTS: A STOCKTAKING BASED ON WTO NOTIFICATIONS

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Abstract

I provide a stocktaking on the profile of regional trade agreements in the global trading system over the last decade focusing heavily on the period since the 2008 financial crisis and relying heavily on WTO notifications. Regional agreements cover both regional trade agreements and broader economic cooperation agreements, but exclude bilateral investment and tax treaties. I note the continued growth in the number of regional agreements, notified to the WTO, as evidence of the lack of reduced momentum in the growth of regional agreements. I temper this by noting that some of this continued growth reflects changes to existing agreements rather than *de novo* new agreements. Much of the growth is also in agreements between small economies. Finally, I note the recent prospects for new large-country to large-country agreements; especially the TPP, US-EU and Japan-Korea-China agreements. These are yet to be concluded and notified.

1.0 Introduction

In this paper I broadly review the state of regional agreements and especially regional trade agreements (RTAs) in terms of their role/position in the trading system, and their impact on trade flows as of 2013 - five years after the 2008 financial crisis. I interpret regional agreements as covering a range of related bilateral and regional agreements including both regional trade agreements and broader economic cooperation agreements, but exclude bilateral investment treaties (BITs) and tax treaties. I rely heavily on notifications to the WTO of agreements and so exclude agreements at various stages of negotiation, including prospective Trans-Pacific Partnership (TPP), the EU-US, and Japan-China-Korea agreements for which no concrete information is available or indicated in official documents. I also note the growing tendency, especially in Asia, to treat regional trade arrangements as a platform to which other non-trade issues are appended, to the point that agreements containing trade protection are sometimes no longer called trade agreements. The Japan-Singapore agreement, for instance, is established as a "New-Age Economic Partnership Agreement".

I characterize activity on the regional agreements front since the financial crisis, and more specifically assess the contribution of regional agreements in maintaining trade openness. I intertwine my commentary with observations on agriculture in the regional agreements discussion. In doing so, I highlight the special issues and the different experiences in trading agricultural goods relative to non-agricultural trade. I also comment on the Canadian dimensions of regional agreements; including CUSTA/NAFTA, Canada-EU, and trade with Asia (China). I conclude by commenting briefly on interdisciplinary approaches to RTAs, emphasizing there psychological and sociological dimensions and how these considerations change perspectives on the economic impacts of RTA's.

2.0 Regional Agreements Before 2008

In this section I first present arguments for and against regional agreements as a way to help clarify the contribution of recent regional agreements. I note that most of the discussion relates to agreements before the 2008 financial crisis when issues of preserving openness through trade agreements were less centric.

The theoretical and heuristic arguments for and against regional agreements are many and highly varied. The classic analysis of customs unions by Viner (1950) shows that the impacts of regional trade agreements on country welfare are ambiguous due to both trade creation and trade diversion effects (Viner, 1950). Later work raises a large number of other issues, both pro and con with respect to the formation of RTAs:

- regional agreements are good since they represent new liberalization in the presence of blocked or difficult multilateral liberalization;

- all "isms" are good if they reduce barriers (Summers, 1991);

- regional agreements beyond those agreed multilaterally by all can provide more security of access through disciplines on contingent protection (Canadian MacDonald Commission);

- regional agreements for small countries with large fractions of trade with large trading partners can provide opportunities to exploit scale economies through improved access to a larger market (Harris, 1984; Wonnacott and Wonnacott, 1967; Wonnacott, 1996, 2005);

- regional trade agreements are undesirable due to their distortionary impacts among country suppliers, creating a spaghetti bowl of regionalism (Bhagwati, 1995); and,

- regional trade agreements among small countries and large countries are difficult/impossible to enforce and may have the result of preferred access eroded by threats of termination unless new concessions are made (McLaren, 2002).

Yet another line of argument is that regional agreements simply co-exist with multilateral disciplines and interact in a variety of negotiating and operational dimensions, hence there is no choice to be made between regionalism and multilateralism - they are inevitable twins. Finally, I note that the GATT/WTO itself can be seen as a form of regional grouping among big players (EU, US, Japan) to which smaller countries with trade largely with one (Canada with US, other Europe within the EU) are appended, along with most favoured nations (MFN) status to allow for mutual access improvements to smaller markets for large countries.

3.0 History of Regional Trade Agreements

In this section I provide the history/background to recent regional trade agreements going back to the 19th Century when there was an extensive network of regional agreements in Europe. In North America, in 1867, Canada was born (in part) as a federal state from termination by the US of the 1854 Elgin-Marcy Treaty. Whether this was simply a legal termination, as allowed by the treaty (the US position), or an abrogation of the treaty (the Canadian position) was an issue to inflame Canada-US relations ever after, and even in part up to today. Later, in the 1930's US bilateral agreements were negotiated under the 1933 Reciprocal Trade Agreement Act with a most favoured nation's provision as a recovery vehicle from the trade collapse resulting from the 1929-33 Great Depression.

In 1947, the GATT was negotiated and it became a post-war global trade policy constitution. It allows for RTA's under Article 24 (subject to broadly all trade being covered, plus no new barriers to third parties). It also contained special treatment for agriculture under Article 11 (quotas) and Article 16 (export subsidies). In the early 1950's there was also extension of special treatment for agriculture (under the 1955 GATT US open ended waiver, and the 1955 Swiss Protocol of Accession to GATT). The 1957 the Treaty of Rome led to the EU and the Common Agricultural Policy. But the relevant GATT working party on the 1957 Treaty did not rule that the Treaty violated GATT Article 24, even though the CAP raised barriers to imports and seemingly violated GATT rules (there has never been a ruling on this matter). In the 1960's and 70's regional trade agreements among developing countries grew but many failed; such as the East African Common Market.

In 1985/87 negotiations took place on a US-Canada Agreement. The resulting agreement, with the implication that the US had embraced regionalism with its largest trading partner, changed the global trade policy landscape. Canada submitted disciplines negotiated regionally (e.g., services), as precedents for multilateral negotiation in the Uruguay Round. Many changes followed in its wake. In 1991, NAFTA was negotiated as Mexico sought a regional agreement with the US, and many other countries also sought subsequent entry to NAFTA (Costa Rica, Venezuela, S. Korea, and others). Also in 1991 a South American regional agreement (Mercosur) was negotiated as countries (Brazil, Argentina, Uruguay, Paraguay initially) sought (in part) collective bargaining power in an eventual NAFTA negotiation. Between 1995 and 2008 there was also a rapid acceleration in the number and form of regional agreements worldwide and increasingly in Asia. These more recent agreements have reflected a wide range of objectives and motives. They include both improved access and security of access to neighbouring economies, jointly going further on various issues than WTO disciplines, and thus reflecting multilateral disciplines as a lowest common denominator. Countries used the RTA structure as a platform to: 1) add new non WTO issues; 2) allow politicians to announce new agreements; 3) allow negotiators to continue to negotiate; and 4) meet security/diplomatic objectives.

4.0 Recent Regional Trade Agreements 1995-2008

By January 2012, over 500 agreements had been notified to the WTO committee on regional agreements, with over one-half negotiated after 1995. In the WTO notification process goods and services arrangements are treated as separate agreements due to the GATT/GATS distinction in the WTO charter. By 2012, most North American and Latin American economies had between 10 and 19 agreements, with more than 30 for many European economies.

Table 1 shows RTA's notified between 2000 and 2012 counting goods and services separately and Table 2 shows RTA's counting goods and services together. They are also classified by type. From this data, the majority of regional agreements are free trade agreements (FTAs) and the period up to 2008 shows an acceleration in their number. This acceleration is a little misleading as changes in arrangements notified (such as EU enlargement) count as an agreement.

The large majority of agreements were between small countries, but a significant portion was between preexisting regional trade groupings and individual countries. Of the 183 agreements captured by Tables 1 and 2, 95 were small-small agreements and 47 agreements involved existing regional groupings (Table 3). Many if not most of the agreements notified were changes in existing arrangements more so than new agreements (Table 4). Thus as notifications of new agreements grow, more notifications occur both due to changes (like EU enlargement), and negotiated arrangements between regional groupings as well as between countries.

Table 1: Regional trade agreements notified to the WTO, 2000-2012 (counting goods and services separately) and with the status "In Force"

Year of Notification	# of RTAs	Coverage		Type				Year of Entry into Force	
		Goods	Services	FTA	EIA	PSA	CU	1990s	2000s
2000	8	8	-	7	-	-	1[a]	2	6
2001	15	12	3	12	3	-	-	7	8
2002	13	8	5	8	5	-	-	-	13
2003	17	10	7	10	7[a]	-	-	-	17
2004	21	15	6	13	5	1	1[a]	4	17
2005	16	10	6	8	6	1[b]	1	3	13
2006	26	15	11	14	11	-	1[a]	3	23
2007	18	12	6	11	6[a]	-	1	-	18
2008	35	27	8	27	8[b]	-	-	5	30
2009	36	19	17	18	17	1	-	-	36
2010	20	13	7	9	7	3	1	2	18
2011	25	15	10	15	10	-	-	-	25
2012	33	20	13	19	13[a]	-	1	5	28
Total	283	184	99	171	98	6	7	27	173

Source: WTO, Regional Trade Agreements Information System

Note: FTA is a Free Trade Agreement; EIA is an Economic Integration Agreement; PSA is a "Partial Scope" Agreement; CU is a Customs Union; [a] 1 RTA is CU&EIA; [b] 1 RTA is PSA&EIA; The date of entry into force for 3 RTA's is in 2000s but there is no date of notification available (ASEAN-Korea (goods & services-FTA & EIA), Gulf Cooperation Council (goods-CU) and Korea-India (goods and services-FTA & EIA)

Table 2: Regional trade agreements notified to the WTO, 2000-2012 (counting goods and services together) and with the status "In Force"

Year of Notification	# of RTAs	Coverage			Type					Year of Entry into Force	
		Goods	Services	Goods & Services	FTA	EIA	FTA&EIA	PSA	CU	1990s	2000s
2000	8	8	-	-	7	-	-	-	1[a]	2	6
2001	12	9	-	3	9	-	3	-	-	6	6
2002	10	5	2	3	5	2	3	-	-	-	10
2003	11	4	1	6	4	1[a]	6	-	-	-	11
2004	16	10	1	5	9	1	4	1	1[a]	4	12
2005	11	5	1	5	3	1	5	1[b]	1	2	9
2006	17	6	2	9	5	2	9	-	1[a]	2	15
2007	13	7	1	5	6	1[a]	5	-	1	-	13
2008	28	20	1	7	20	1[b]	7	-	-	5	23
2009	22	5	3	14	4	3	14	1	-	-	22
2010	16	9	3	4	5	3	4	3	1	1	15
2011	15	5	-	10	5	-	10	-	-	-	15
2012	21	8	1	12	7	1[a]	12	-	1	5	16
Total	200	101	16	83	89	16	82	6	7	27	173

Source: WTO, Regional Trade Agreements Information System

Note: FTA is a Free Trade Agreement; EIA is an Economic Integration Agreement; PSA is a "Partial Scope" Agreement; CU is a Customs Union; [a] CU&EIA; [b] PSA&EIA; The date of entry into force for 3 RTA's is in 2000s but there is no date of notification available (ASEAN-Korea (goods & services-FTA & EIA), Gulf Cooperation Council (goods-CU) and Korea-India (goods and services-FTA & EIA)

Among the largest trading entities (US, EU, China) there are no bilateral agreements since their trade policies are mutually restrained by GATT/WTO, but there are now serious prospects of larger player agreements. This is especially so in Asia (China-Japan-Korea; China-India) but also include the Trans-Pacific Partnership (TPP), Canada-EU [1] and prospectively US-EU. Dispute settlement between countries in bilateral agreements continues to rely heavily (almost exclusively accept for inter-EU trade) on WTO dispute settlement, rather than on procedures agreed to bilaterally. Agreements also vary substantially in length, coverage, and specificity (Table 5). Separate chapters on agriculture are a rarity. Also, studies of take-up rates of regional tariff preferences (Canada-US, Mercosur) remain surprisingly low at below fifty percent of seemingly eligible trade.[2]

Canada has continued with its negotiation of regional agreements. Canada now has over 20 such agreements in force, with Jordan, Colombia, Peru, European Free Trade Association, Costa Rica, Chile, Israel, North American Free Trade Agreement (NAFTA), and the Canada-US Free Trade Agreement (CUSTA)(Table 6). Negotiations are concluded with Honduras and Panama, and FTA negotiations are on-going with the Andean Community Countries, Caribbean Community (CARICOM), Central America Four (CA4), Dominican Republic, European Union (CETA), India, Japan, Korea, Morocco, Singapore, Trans-Pacific Partnership (TPP), Ukraine, Free Trade Area of the Americas (FTAA), and negotiations to modernize the Canada-Costa Rica Free Trade Agreement.

5.0 What are the Impacts of RTA's

Recent literature has focused on the potential economic impacts of this large number of regional agreements. On the issue of trade creation versus trade diversion, Freund and Ornelas (2010) suggest that trade creation tends to be the norm. Where trade diversion is observed it is relatively small. Why is there a dominance of trade creation? Freund and Ornelas (2010) argue that countries choose partners well with greater gains where there is proximity between members, similarity in GDP, and a large difference in factor endowments. Baier and Bergstrand (2007) find a similar set of factors that yield gains from trade creation.

On spillovers from RTA's, Estevadeoral et al. (2008) find countries that form RTA's also tend to reduce barriers on imports from outside the bloc and this is especially important for developing countries and in Latin America. On linkages to multilateral negotiation, Freund and Ornelas (2010) argue that one reason for slow progress in the WTO is that RTAs are spreading and capturing the time available to negotiate. A counter argument is that RTA's allow negotiators to gain experience and this improves the multilateral process.

Estimates of coverage of world trade under RTAs seem to suggest a plateauing at around 45 percent in the late 2000's, despite an increasing number of RTAs.

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[1] The EU-Canada situation reflects ongoing negotiation over 3 years. Agreement, at the time of writing, is on hold over Canadian market access for pork and beef exports to the EU, and EU intellectual property (including geographical indications) in Canada. An EU-US arrangement is only at the early stages of discussion.

[2] However, Meilke, Rude and Zahniser (2000) looked at the this issue for US-Can agricultural trade and found most of the trade not making use of NAFTA preferences was trading at an MFN rate of zero.

Growth rates of world trade (Table 7) in manufactures/agriculture/services over periods with no growth in RTA's (up to 1987 except EU), and then with growth in RTAs suggest higher growth in liberalized manufactures but slower growth during the RTA expansion period. This may reflect the substantial effects of initial GATT liberalization (Table 8).

Table 3: Notified regional trade agreements country size and with the status "In Force" (counting goods and services together) 2000-2012

	Large (GDP > 550 billion) Medium (150 < GDP < 550 billion) Small (GDP < 150 billion) Economic Organization/ Agreement (EO)[1]									
	Large-Large	Large-Medium	Large-Small	Medium-Medium	Medium-Small	Small-Small	EO - Large	EO - Medium	EO - Small	Changes EO & EO - EO
2000	-	-	-	-	-	1	-	2	3	-
2001	-	1	1	-	2	6	1	-	-	-
2002	-	-	3	-	-	1	1	-	3	1
2003	-	1	5	-	2	1	-	-	2	-
2004	1	1	1	-	1	5	1	1	1	2
2005	1	-	2	-	3	2	-	-	2	-
2006	-	-	8	-	1	1	1	-	2	2
2007	-	1	2	1	1	2	-	1	-	3
2008	-	1	3	-	2	13	1	-	3	3
2009	-	1	8	-	1	6	2	-	4	-
2010	-	-	6	-	2	1	3	-	4	-
2011	1	-	3	-	3	3	1	-	4	-
2012	1	-	4	-	5	7	-	1	3	-
Total	4	6	46	1	23	49	11	5	31	11

Source: WTO, Regional Trade Agreements Information System & World Bank, World Development Indicators
Note: Large countries by 2009 GDP (constant 2000 US$) criteria: Australia, Brazil, Canada, China, France, Germany, India, Italy, Japan, Republic of Korea, Mexico, Spain, United Kingdom, United States.
Medium countries by 2009 GDP (constant 2000 US$) criteria: Argentina, Austria, Belgium, Denmark, Egypt, Greece, Hong Kong, Indonesia, Iran, Israel, Netherlands, Norway, Poland, Russian Federation, Saudi Arabia, South Africa, Sweden, Switzerland, Thailand, Turkey, United Arab Emirates, Venezuela.

[1] Economic Organization/Agreement refers to an agreement by EU, EFTA, MERCOSUR, SADC, APTA, ASEAN, TPP, PAFTA, SAFTA or SACU.

Table 4: Dates and participants in large-large, EO[1]-Large, Changes in EO and EO-EO agreements with the status "In Force"

Large-Large	EO-Large	Changes EO / EO-EO
▪ Korea-US (2012)	▪ EU-Korea (2011)	▪ South Asian Free Trade Agreement (goods-enabling clause) (2008)
▪ India-Japan (2011)	▪ MERCOSUR-India (2010)	▪ Common Economic Zone (CEZ) (2008)
▪ Japan-Mexico (2005)	▪ ASEAN-Australia-New Zealand (2010)	▪ EFTA-SACU (2008)
▪ US-Australia (2004)	▪ ASEAN-India (2010)	▪ Trans-Pacific Strategic Economic Partnership (2007)
	▪ EFTA-Canada (2009)	▪ Southern African Customs Union (SACU) (2007)
	▪ ASEAN-Japan (2009)	▪ EC (27) Enlargement (2007)
	▪ ASEAN-China (2005(G)/2008(S))	▪ Pan-Arab Free Trade Area (PAFTA) (2006)
	▪ EFTA-Korea (2006)	▪ MERCOSUR – Enabling Clause (services) (2006)
	▪ Asia Pacific Trade Agreement (APTA)-Accession of China (2004)	▪ EC (25) Enlargement (2004)
	▪ EU-Mexico (2000(G)/2002(S))	▪ Southern African Development Community (SADC) (2004)
	▪ EFTA-Mexico (2001)	▪ EFTA (services) (2002)

Source: WTO, Regional Trade Agreements Information System

[1] Economic Organization/Agreement refers to an agreement by EU, EFTA, MERCOSUR, SADC, APTA, ASEAN, TPP, PAFTA, SAFTA or SACU.

Table 5: Summary characteristics of a sample of large-large agreements

Agreement	Page Length	No of Chapters	Chapters on				
			Dispute Settlement	Investment	Agriculture	ROO's[1]	Labour Mobility
Korea-US (2012)	N/A	24	0[g]	1[c]	1[d]	1[e]	1[f]
India-Japan (2011)	122[b]	15	1	1	0	1	0
US-Australia (2004)	264[b]	23[b]	0	1	1	1[a]	1
ASEAN-China (2005(G))	275	0	0[i]	0	0	1[h]	0
ASEAN-China (2008(S))	35	0	0	0	0	0	0
ASEAN-China Agreement on Inv.	35	1	0	1	0	0	0
EU-Mexico (2002)	N/A	8[j]	3[k]	0	0	0	0
EFTA-SACU (2008)	26	7	0	0	0	0	0

Source: USTR Gov; China FTA Network; Government of India, Ministry of Commerce and Industry, Department of Commerce; European Commission, Trade; World Bank.
Notes: [a] Plus 1 Annex
[b] Excluding Annexes and Side Letters
[c] Plus 7 Annexes and A Confirmation Letter (Property Rights)
[d] Plus 1 Annex (Agricultural Safeguard Measures)
[e] Plus 2 Annexes and 1 Appendix
[f] Plus 1 Annex and a Confirmation Letter (Public Communication)
[g] No chapter available; exists model rules of procedure for dispute settlement (letters adopting model rules of procedure)
[h] ANNEX 3 instead of Chapter
[I] The Agreement on Dispute Settlement Mechanism between China and Asean shall apply to this agreement.
[j] Titles instead of chapters
[k] 1 Title with 3 chapters

[1] ROO refers to rules of origin.

Table 6: Canada's bilateral trade agreements and negotiations since 2000

Agreements	Page Length	No of Chapters	Chapters on				
			Dispute Settlement	Investment	Agriculture	ROO's	Labour Mobility
A. Concluded							
1. Canada-Jordan (2012)[i]	N/A	16[j]	1	0	0	1[k]	1
2. Canada-Colombia (2011(G&S))	N/A	23[e]	1	1	Section E of Chapter 2[f]	1[b]	1[c]
3. Canada-Honduras (2011)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
4. Canada-Panama (2010)	N/A	24[l]	1[m]	1[n]	0	1[o]	1
5. EFTA-Canada (2009(G))	N/A	9[a]	1	1	3 Separate Agreements	Annex C	0
6. Canada-Peru (2009(G&S))	N/A	23[d]	1	1	Section F of Chapter 2	1[b]	1[c]
7. Canada-Costa Rica (2003(G))	N/A	15	1	1	0	1[p]	0

B. Negotiated/Failed or Under Negotiation

8. Canada-EU: CETA (aim of concluding in 2012)
9. Canada-Andean Community Countries
10. Canada-Caribbean Community (CARICOM)
11. Canada-Central America Four (C4)
12. Canada-Dominican Republic
13. Canada-India
14. Canada-Japan
15. Canada-Korea
16. Canada-Morocco
17. Canada-Singapore
18. Canada-Trans-pacific Partnership
19. Canada-Ukraine
20. FTAA
21. Modernize Canada-Costa Rica FTA

Source: WTO and Foreign Affairs and International Trade Canada

Notes: [a] Plus 11 Annexes, 2 Appendixes and 3 Agreements on Agriculture between Canada and the Republic of Iceland, the Kingdom of Norway and the Swiss Confederation; [b] Plus 1 Annex; [c] Chapter on Labour; [d] Plus 3 Annexes; [e] Plus 3 Annexes; [f] Plus 1 Annex on Agricultural Safeguard Measures; [g] Section 2.4.1 of Part 2 (Joint Study); [h] Section 3.10 of Part 3 (Joint Study)

[i] Not notified to WTO ; [j] Plus 2 Annexes; [k] Plus 1 Annex; [l] Plus 4 Annexes; [m] Plus 2 Annexes; [n] Plus 3 Sections and 3 Annexes; [o] Plus 1 Annex; [p] Plus 2 Annexes

Table 7: Growth rates of world trade in manufactures, agriculture, services

World Trade Growth Rates	Annual Trade Growth (imports plus exports), percent				
	Manufactures	Commercial Service	Agricultural Raw Materials	Fuels	Total World Merchandise Trade[d]
1948-1957	9.93[c]	N/A	N/A	N/A	9.46
1957-1987 (excluding EU)	13.83[a]	10.10[b]	8.11[a]	14.09[a]	10.60
1957-1987 (including EU)	13.36[a]	9.98[b]	7.90[a]	12.50[a]	10.83
1987-2000	8.24	7.97	2.09	8.33	7.49
2000-2011	8.86	9.26	7.70	13.10	9.79

Source: UNCTAD & World Bank, World Development Indicators
Note: [a] Data is for the period 1962-1987.
[b] Data is for the period 1975-1987.
[c] Data is based on world exports of manufactures and is from United Nations Statistics Division, Historical Data 1900-1960 on international merchandise trade statistics.
[d] Data is from UNCTADStat.

Table 8: RTA's and trade growth

	Annual Trade Growth (imports plus exports), percent			
	Bilateral Trade in 5 years before Agreement	Bilateral Trade in 4 years after Agreement	World Trade in 5 years before Agreement	World Trade in 4 years after Agreement
A. Recent RTA's				
ASEAN-China (2005(G))	26.96	13.06	10.17	4.38
ASEAN-China (2008(S))	24.21	16.22[a]	16.39	3.70[a]
US-Australia (2004)	4.97	10.75	10.49	4.38
EU(15)[b]-Mexico (2002)	8.96	15.06	3.36	16.84
EFTA[c]-SACU[d] (2008)	13.22	10.15[a]	16.39	3.70[a]
B. Older RTA's				
	Bilateral Trade in 5 years before Agreement	Bilateral Trade in 5 years after Agreement	Bilateral Trade in 15 years after Agreement	
Canada-US (1987)	8.87	7.03	6.96	
EU[e] (1957)	N/A	N/A	16.66[f]	
MERCOSUR[g] (1991(G)/2006(S))	15.27	24.63	11.11	

Source: UNComtrade Database & International Trade Statistics Yearbooks (various years).
Note: [a] Bilateral Trade in 3 years after Agreement
[b] EU(15): Austria, Belgium-Luxembourg (1997-1998), Belgium (after 1998), Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg(after 1998), Netherlands, Portugal, Spain, Sweden, United Kingdom.
[c] EFTA: Liechtenstein (no data available), Iceland, Norway, Switzerland.
[d] SACU: Botswana, Lesotho, Namibia, South Africa, Swaziland.
[e] EU (1957): Belgium-Luxembourg, France, Fed. Rep. of Germany, Italy, Netherlands.
[f] Data is available starting year 1962. Annual trade growth is reported based on data for the period 1962-1972.
[g] MERCOSUR (1991): Argentina, Brazil, Paraguay, Uruguay, Venezuela. (data is based on 1991 agreement on goods)

Table 9: Model based analyses of the impacts of RTAs

	Ex Ante **(Largely CGE)**	***Ex Post*** **(Largely Gravity)**
Analyses of a Number of Agreements	Inconclusive ▪ Srinivasan/Whalley/Wooton (1993) Small but positive ▪ Hamilton/Whalley (1985)	Cyclical pattern to formation of RTA's – Effects on world trade small ▪ Rose (2004)
EU	Positive Effects on Trade ▪ Tinbergen (1962) ▪ Aitken (1973)	
	Insignificant/Negative Effects ▪ Frankel/Stein/Wei (1995) ▪ Frankel (1997) ▪ Krueger (2000)	
NAFTA/CAN-US	Positive Effects ▪ Panagariya (1994)	Large and Positive ▪ Harris (1984)
	No Effects ▪ Frankel (1997)	

Assessments of trade growth between partners before and after trade agreements suggest some cases of accelerated inter-RTA trade growth (EU-Mexico (2002); EFTA-SACU (2008), Mercosur (1991/2006)) and some cases of slower inter-RTA trade growth (ASEAN-China (2005), Canada-US (1987)).

Studies using trade models to assess the impacts of RTA's are seemingly inconclusive in an *ex post* sense using gravity models, even where *ex ante* potentially large and positive effects were predicted by general equilibrium models (as with Can-US and NAFTA) (Table 9). Gravity models generally are not used to provide estimates of welfare, and hence benefit effects, and so the GE models are more widely cited in this dimension.

6.0 Agriculture and Recent RTAs

Agriculture is a key sector in trade globally, and it remains largely undisciplined by global multilateral disciplines (Anderson, 2010; Josling, 2010, 2011). In recent RTA's agriculture typically enters through tariff cuts and some form of an agricultural safeguards mechanism (Table 10 and Table 11). Most recent RTAs exempt major traditional agricultural products (meats, dairy, grains, fruits) from tariff cuts. Most of the recent RTAs contain no separate chapter on agriculture and no bilateral agreements on key issues such as standards and food safety. Studies of the impact of the agricultural provisions in RTAs are relatively few.

From Table 7 growth rates of agricultural trade are below those of manufactures and services, and especially so in periods of rapid RTA growth (1987-2000). Grant and Lambert (2008) use a gravity model to analyze RTA effects on agricultural trade separately from non-agricultural trade. Their results suggest differences between agriculture and non-agricultural trade (partly reflecting the features noted above); with differences in impacts between agreements, and the length of the phase in for tariff cuts in RTA's. More recent work by Grant (2012) suggests major trade gains are generated by "deep" integration agreements (customs unions) but that the trade gains are considerably smaller for FTAs. Makochekanwa (2012) analyses RTAs in Eastern and Southern Africa and there impacts on trade in maize, rice, and wheat. Four countries show increased interregional trade in these products and three do not. No general pattern emerges in Makochekanwa's study.

Table 10: Treatment of agriculture in key RTAs

1. EU (1957)	▪ Creation of Common Agricultural Policy ▪ Progressively increasing internal support prices ▪ Variable tariff on imports (since replaced by Tariffication) ▪ Stockpiling
2. NAFTA/C-US (1987/1991)	▪ Minimal change affecting some produced products (Wine/Beer (CAN-US)), pork trade, and sanitary arrangements cross border
3. ASEAN-China	▪ No special agricultural provisions ▪ Tariff reductions for key agricultural products ▪ Prior Restrictions on bilateral agricultural trade remain in effect
4. CER (Aus/NZ)	▪ Complete removal of all agricultural trade restrictions for bilateral trade

Source: USTR Gov; China FTA Network; European Commission, Trade; Australian Government, Department of Foreign Affairs and Trade.

Table 11: RTA tariff cuts in agriculture

	Depth of Bilateral Tariff Cuts	Agricultural Product Exemptions	Phase in Periods	Agricultural Safeguard Mechanism
US-Australia (2004)	Elimination of Duties	0	0	▪ Price-Based Safeguard for Horticulture ▪ Price and Quantity-Based Safeguard for Beef
China-ASEAN (2005)	Tariff rates gradually reduced and eliminated	0	4	0
India-Japan (2011)	Elimination of Custom Duties	0	0	Bilateral Safeguard Measures
EU-Mexico (2002)	Elimination of Customs Duties	0	0	Safeguard Clause

Source: USTR Gov; China FTA Network; Government of India, Ministry of Commerce and Industry, Department of Commerce; European Commission, Trade.

7.0 Conclusion

This stocktaking of regional trade agreements in the global trading system suggests little slow down in the growth of the number of agreements since the 2008 financial crisis. The WTO notifications of RTAs are however a little hard to interpret because changes to existing agreements are treated as a notification. Thus, as the stock of regional agreements increases, notifications increase due to changes in existing agreements. Most of the continued growth in agreements involves agreements among small countries, but currently large agreements appear possible (TPP, US-EU, Japan-Korea-China).

It is worth mentioning what is generally ignored in the RTA literature, namely the role of national identity and psychology. Many small country agreements seem to be lacking in substantive content (Singapore, for instance, is already a free trade zone, but has many RTAs), and the role of RTAs in underpinning national identity seems to be a key driver. As such, the continued growth of RTAs may reflect psychological features as well as traditional trade impacting economic content.

Economists generally continue to believe strongly in the gains from free trade and so generally welcome barrier reducing RTAs, and caution those that raise barriers to third parties. The presumption is for barriers reducing RTAs to be good, and hence a stocktaking that suggests continued momentum in the emerging of RTAs to be a good thing. How the larger pattern of new FTAs yet to be conditioned and negotiated will affect this picture remains to be determined.

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