

RECENT DEVELOPMENTS IN REGIONAL TRADE AGREEMENTS

(JANUARY-JUNE 2017)

During the first half of 2017 ten regional trade agreements (RTAs) and three accessions to existing RTAs were notified to the WTO. Among these, the majority aim to liberalize trade in goods; three agreements aim to liberalize trade in services as well as in goods.

RTAs notified in 2017

RTAs have continued to proliferate. During the period January-June 2017, a larger number of RTAs were notified than during the previous six months. Of the ten RTAs notified, four agreements involve countries that are members of the Latin American Integration Association (LAIA). In addition, three Members notified the WTO that they were acceding to existing RTAs (Table 1). The majority of RTAs notified during this period involved only trade liberalization in goods and were therefore notified under either Article XXIV of GATT 1994 or the Enabling Clause. Three RTAs involved both trade in goods and services and were notified under Article XXIV of GATT 1994 and Article V of the GATS. In addition, the WTO received a communication indicating that the EFTA-Philippines RTA had been signed on 28 April 2016.

Table 1: Notifications of RTAs between January and June 2017

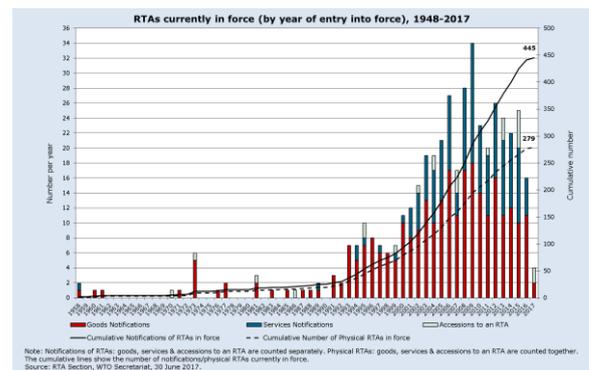
RTA Name (parties)	Coverage	Notification (entry into force)	Notification
Argentina - Brazil	Goods	15/06/17 (01/07/16)	Enabling Clause
Brazil - Uruguay	Goods	15/06/17 (pending)	Enabling Clause
Central American Common Market (CACM) - Accession of Panama	Goods	24/04/17 (06/05/13)	GATT Art. XXIV
Common Market for Eastern and Southern Africa (COMESA) - Accession of Egypt	Goods	03/01/17 (17/02/99)	Enabling Clause
EU - Colombia and Peru - Accession of Ecuador	Goods & Services	02/03/17 (01/01/17)	GATT Art. XXIV & GATS Art. V
EU - Ghana	Goods	03/04/17 (15/12/16)	GATT Art. XXIV
EU - SADC	Goods	03/04/17 (10/10/16)	GATT Art. XXIV
Eurasian Economic Union (EAEU) - Viet Nam	Goods & Services	04/05/17 (05/10/16)	GATT Art. XXIV & GATS Art. V
GUAM	Goods & Services	03/04/17 (10/12/03)	GATT Art. XXIV & GATS Art. V
India - Thailand	Goods	18/06/17 (01/09/04)	Enabling Clause
Southern Common Market (MERCOSUR) - Chile	Goods	15/06/17 (10/03/17)	Enabling Clause
Southern Common Market (MERCOSUR) - Mexico	Goods	15/06/17 (28/12/16)	Enabling Clause
Turkey - Malaysia	Goods	20/02/17 (01/08/15)	GATT Art. XXIV

Source: RTA Database, <http://rtais.wto.org>.

Evolution of RTAs

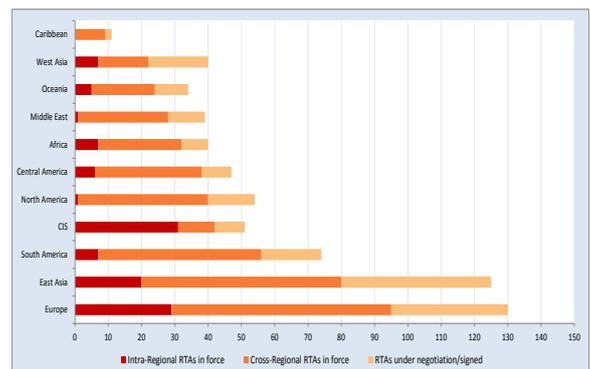
Compared to the last six months of 2016, a larger number of RTAs entered into force and were notified to the WTO in the first half of 2017, bringing the total number of RTAs in force and notified to the WTO to 279 by the end of June 2017 (Chart 1).¹

Chart 1: Evolution of RTAs in the world, 1948-2017



There has been little change in the key regions involved in RTAs. RTA activity remains strongest in Europe; this is followed by East Asia, South America and the CIS (Commonwealth of Independent States) region (Chart 2).² Members in these regions also continue to be active in RTA negotiations. Except for the CIS region, most RTA activity is between rather than within the same region.

Chart 2: RTAs in force, and under negotiation by region



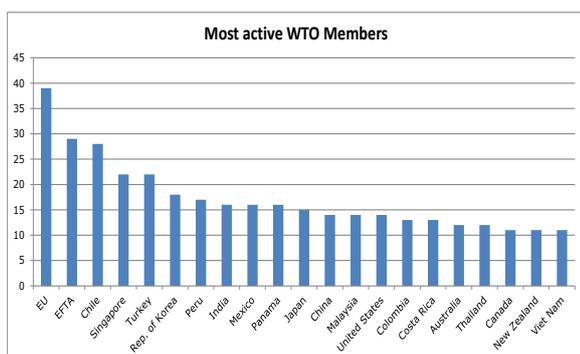
Source: RTA Section, WTO Secretariat.

¹ These RTAs correspond to 445 notifications. As the WTO rules require separate notifications of RTAs liberalizing trade in goods and trade in services, the number of notifications is significantly higher than the number of RTAs in force.

² There are a number of RTAs that are in force that have not yet been notified. If these were to be included, the regional share of RTAs may change.

The WTO Members with the largest number of RTAs in force continue to be the EU, EFTA, Chile, Singapore and Turkey, which have over 20 RTAs in force (Chart 3). However a number of other developing countries including the Republic of Korea, Peru, India, Mexico and Panama have also become active users of RTAs with over 15 RTAs each in force.

Chart 3: WTO Members with the largest number of RTAs in force



Source: RTA Section, WTO Secretariat.

Regional trade agreements notified to the WTO are considered by Members, either in the Committee on Regional Trade Agreements (CRTA) if notified under Article XXIV of the GATT 1994 or Article V of the General Agreement on Trade in Services (GATS), or the Committee on Trade and Development (CTD), if notified under paragraph 2c of the Enabling Clause. The discussions in the Committee are based on a factual presentation prepared by the WTO Secretariat using information and data provided by the parties to the RTA, and questions and replies between Members. In the period January-June 2017, the CRTA held two meetings and considered 5 RTAs (accounting for 8 notifications); one RTA was considered in the CTD, bringing up to 248 the total number of RTAs considered by WTO Members (counting notifications on goods, services and accession to an RTA separately) as of end June 2017.

Other requirements of the Transparency Mechanism for RTAs include end of implementation reports under Paragraph 15 of the Mechanism.³ During the period January-June 2017, no end of implementation reports were circulated while implementation reports were due for 136 RTAs.

RTAs being negotiated

WTO Members continue to expand their networks of RTAs. The majority of ongoing negotiations are bilateral, involving two customs territories

³ Paragraph 15 states: "at the end of the RTA's implementation period, the parties shall submit to the WTO a short written report on the realization of the liberalization commitments in the RTA as originally notified."

although there are also a number of plurilateral negotiations taking place. These include the EU's negotiations with the United States (Trans-Atlantic Trade and Investment Partnership Agreement), MERCOSUR, India, and Japan, in addition to agreements that have been signed but are not yet in force such as with Canada, Singapore and Viet Nam. Other key negotiations include Japan-Republic of Korea, Republic of Korea-Mexico, China-Norway and Canada-Singapore (in addition to the recently signed Canada-Ukraine).

In addition to bilateral negotiations, attention continues to be focused on plurilateral negotiations. These include agreements such as the recently concluded but not yet in force Trans-Pacific Partnership (TPP) Agreement; and ongoing negotiations such as the Regional Comprehensive Economic Partnership (RCEP) Agreement involving ASEAN and six other nations; the Trans-Atlantic Trade and Investment Partnership (T-TIP) between the EU and the USA; the Tripartite FTA between 26 African countries which are already members of three regional economic communities; the enlarging Eurasian Economic Union (EAEU) agreement; and the Trade in Services Agreement (TISA). A number of these agreements aim to consolidate existing bilateral relationships between the parties.

Trans-Pacific Partnership (TPP)

The TPP Agreement involves 11 economic partners: Australia, Brunei Darussalam, Canada, Chile, Japan, Republic of Korea, Mexico, New Zealand, Peru, Singapore and Viet Nam. It was signed on 5 February 2016 and is awaiting ratification by the parties before it enters into force. On 23 January 2017 the United States Government indicated that it was withdrawing from the Agreement. The remaining 11 parties are continuing to meet to find a way forward to put the agreement into force without the United States.

Regional Comprehensive Economic Partnership (RCEP) Agreement

The RCEP Agreement involves 16 partners: 10 ASEAN members and Australia, China, Republic of Korea, Japan, India and New Zealand. The ASEAN members already have agreements in force with these six partners and the negotiations aim to have one common agreement which is based on the "ASEAN+1" agreements. Negotiations began in November 2012; 18 rounds have been held so far and although the goal remains to complete negotiations by the end of 2017, it is not clear whether this deadline will be met.

Trans-Atlantic Trade and Investment Partnership (TTIP) Agreement

Negotiations between the European Union and the United States began in July 2013 and 15 rounds of negotiations were held up to end 2016. Thus far, the Parties have agreed to eliminate tariffs on 97% of their products; identified steps to reduce unnecessarily burdensome border requirements; introduced provisions to help small and medium sized enterprises to trade such as easily accessible online information; agreed to include provisions to protect the environment and labour rights; and agreed on the importance of transparency and due process in trade remedy procedures and competition policy. Trade talks are expected to resume later in 2017.

EAEU

The Eurasian Economic Union (EAEU) was originally formed between three partners as a customs union: Belarus, Kazakhstan and the Russian Federation. It was notified to the WTO on 12 December 2014 and entered into force on 1 January 2015. Following this, the governments of Armenia and the Kyrgyz Republic decided to accede to the EAEU on 2 January 2015 and 12 August 2015, respectively. The two countries are Members of the WTO and are currently renegotiating their bound WTO tariffs on certain products for which their applied rates are higher as a result of adopting the common external tariff of the EAEU. The EAEU has also started to negotiate RTAs with third parties, with a first RTA with Viet Nam entering into force on 5 October 2016. The EAEU is currently negotiating RTAs with a number of countries, including the European Free Trade Associations (EFTA, comprising Iceland, Norway, Switzerland and Liechtenstein), India, Iran, and Singapore.

Tripartite FTA

The Tripartite FTA (TFTA) aims to bring together the parties to three existing regional economic communities on the African Continent: the East African Community (EAC), the Southern African Development Community (SADC) and the Common Market for Eastern and Southern Africa (COMESA); together they have 26 members. The TFTA was signed by Heads of State in Sharm-el-Sheikh, Egypt, on 10 June 2015. Entry into force was expected to be within 12 months (mid 2016) and ratification by 14 of the 26 parties. To date 20 (out of 26) have signed and only one – Egypt – has ratified. On 15 June 2015, the Heads of State of the African Union directed that the negotiations for the Continental Wide FTA (CFTA) be conducted in parallel and completed by 2017.

Trade in Services Agreement

Negotiations for a Trade in Services Agreement (TiSA) are different from the other negotiations in that they do not include liberalization of trade in goods and are focused only on liberalizing trade in services. TiSA negotiation, which were launched in April 2013 are currently taking place between 23 partners, including developed and developing members.⁴ While the TiSA is based on existing commitments by the parties in the General Agreement on Trade in Services (GATS), it will also include commitments in investment which will be based on a negative list of schedules. In addition there will also be rules on domestic regulation and Government procurement.

Other key developments

The Government of the United States declared its intention to modernize the North American Free Trade Agreement (NAFTA). Formal negotiating objectives were issued on 17 July.

The EU and Japan issued on 6 July an "in principle" agreement on an economic partnership agreement. The EU website indicates that trade in goods liberalization includes elimination of tariffs by Japan on many agricultural products such as cheeses and beef, as well as recognition by Japan of Geographical origins (GIs) for a number of products exported by the EU. The agreement will also open up the parties' services markets including in financial services, e-commerce, telecommunications and transport.

⁴ Australia, Canada, Chile, Colombia, Costa Rica, the European Union, Hong Kong, China, Iceland, Israel, Japan, Liechtenstein, Mauritius, Mexico, New Zealand, Norway, Pakistan, Panama, Peru, Republic of Korea, Switzerland, Chinese Taipei, Turkey, and the United States.