

## RECENT DEVELOPMENTS IN REGIONAL TRADE AGREEMENTS

(JULY-DECEMBER 2016)

During the second half of 2016 four new regional trade agreements (RTAs) and one accession to an existing RTA were notified to the WTO. Among these, three involved countries in Latin America, while the others involved Asia and Europe. Of these agreements, three were notified under trade in goods and services provisions of the WTO, while two involved trade liberalization in goods only.

The Transparency Mechanism for RTAs also celebrated its 10<sup>th</sup> anniversary on 14 December 2016. Members have during this ten year period considered 143 RTAs, based on factual presentations prepared by the WTO Secretariat in full consultation with the parties to the RTAs.

### 1 RTAS IN FORCE

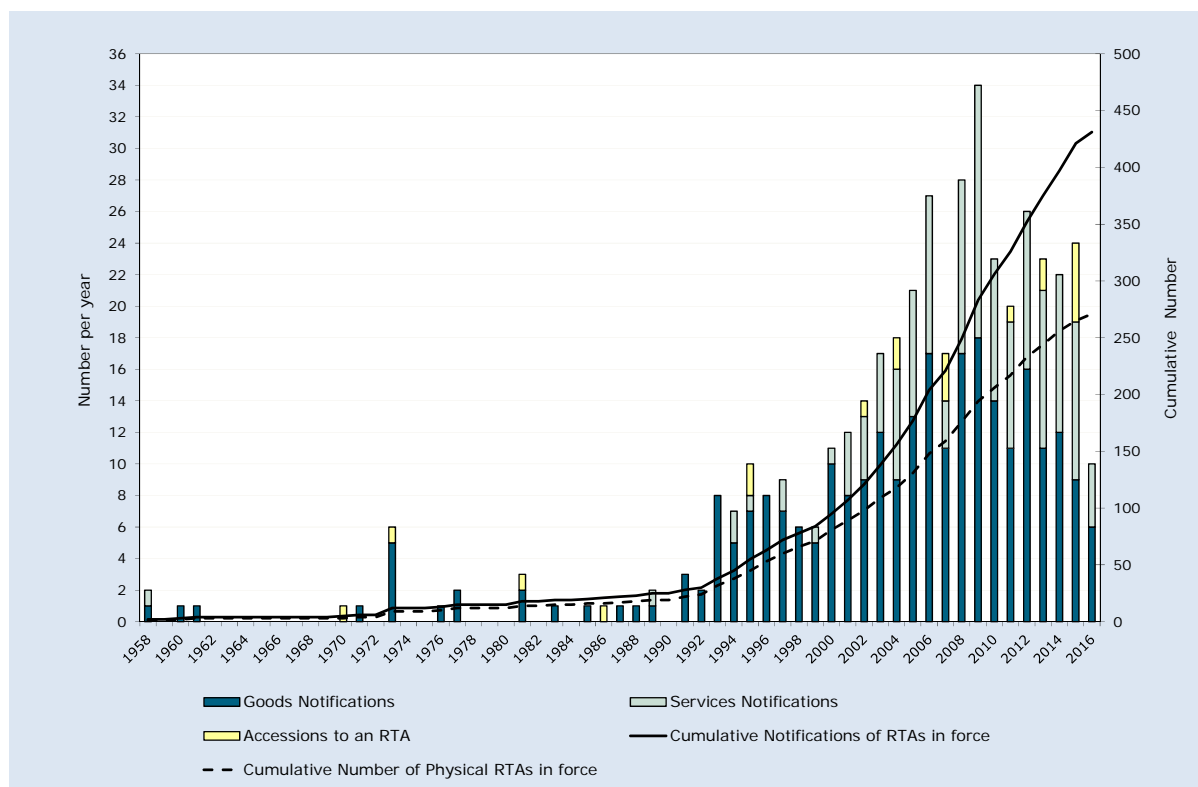
1.1. During the second half of 2016 (July-December), WTO Members notified four new RTAs and one accession to an existing RTA to the WTO (8 notifications, counting trade in goods and services aspects separately) (Table 1), bringing the total number of RTAs in force and notified to the WTO to 271 (Chart 1). Three out of the five agreements are bilateral involving, Europe, Latin America and Asia, while the fourth - Pacific Alliance - is a plurilateral agreement involving four parties in Latin America. In addition, following its accession to the WTO, Afghanistan notified its accession to the South Asian Free Trade Agreement (SAFTA).

**Table 1: Notifications of Regional Trade Agreements between July and December 2016**

RTA Name (parties)	Coverage	Notification Date (entry into force date)	Notification	End of implementation date
Turkey – Moldova	Goods	13/12/16 (01/11/16)	GATT Art. XXIV	1 November 2020
Pacific Alliance (Chile, Colombia, Mexico, Peru)	Goods & Services	03/11/16 (01/05/16)	GATT Art. XXIV & GATS Art. V	1 January 2033
Costa Rica – Colombia	Goods & Services	31/10/16 (01/08/16)	GATT Art. XXIV & GATS Art. V	1 January 2030
Republic of Korea – Colombia	Goods & Services	05/10/16 (15/07/16)	GATT Art. XXIV & GATS Art. V	1 January 2034
South Asian Free Trade Agreement (SAFTA) (Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, Sri Lanka) - Accession of Afghanistan	Goods	29/07/16 (07/08/11)	Enabling Clause	6 August 2021

Source: RTA Database.

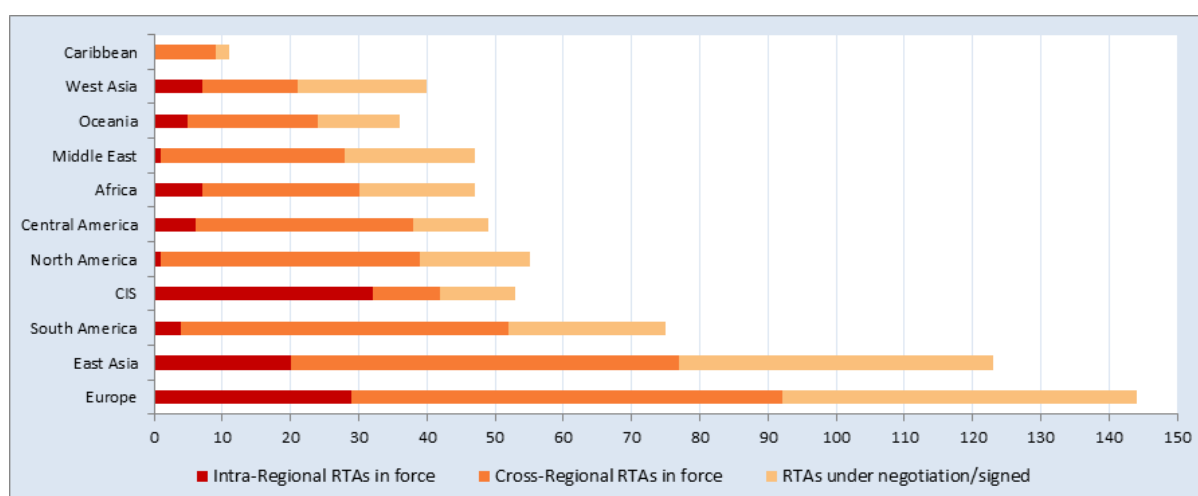
**Chart 1: Evolution of RTAs in the world, 1948-2016**



Source: WTO.

1.2. RTA activity remains strongest in Europe (20% of all RTAs in force), with successive EU enlargements and agreements with countries in Eastern Europe and around the Mediterranean basin as well as RTAs notified by the European Free Trade Area (EFTA); this is followed by East Asia (17%), South America (12%) and the CIS (Commonwealth of Independent States) region (9%) (Chart 2).<sup>1</sup> Members in these regions also continue to be active in RTA negotiations.

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



Source: WTO.

<sup>1</sup> 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.

1.3. 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 consideration is 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 July-December 2016, 9 RTAs (accounting for 15 notifications) were considered by the CRTA and one by the CTD, bringing up to 241 the total number of RTAs considered by WTO Members (counting notifications on goods, services and accession to an RTA separately) as of end December 2016.

1.4. Other requirements of the Transparency Mechanism for RTAs include end of implementation reports under Paragraph 15 of the Mechanism.<sup>2</sup> During the second half of 2016, four end of implementation reports were circulated. As of end December 2016, implementation reports were due for another 136 RTAs.

## **2 RTAS BEING NEGOTIATED**

2.1. RTA activity continues also to be strong when one looks at key negotiations taking place around the world. As is evident from Chart 2, all the regions of the world remain active in negotiating new RTAs. The majority of ongoing negotiations are bilateral, involving two customs territories although there are also a number of plurilateral negotiations taking place. These include the EU's negotiations with the United States (Trans-Atlantic 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 bilateral negotiations include Japan-Republic of Korea, Republic of Korea-Mexico, China-Norway and Canada-Singapore (in addition to the recently signed Canada-Ukraine).

2.2. In addition to bilateral negotiations, attention continues to be focused on the plurilateral or so called "megaregional" 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 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 recently concluded and notified Pacific Alliance agreement among four Latin American economies. Most of these agreements aim to consolidate existing bilateral relationships and extend them to plurilateral agreements; some undertake to achieve greater liberalization than in the existing agreements.

### **2.2 Trans-Pacific Partnership (TPP)**

2.3. The TPP Agreement involves 12 economic partners: Australia, Brunei Darussalam, Canada, Chile, Japan, Republic of Korea, Malaysia, Mexico, New Zealand, Peru, Singapore and the United States. It was signed on 5 February 2016 and is awaiting ratification by the parties. On 23 January 2017 United States Government indicated that it was withdrawing its participation from the Agreement leaving the future of the TPP unclear. Among the other parties, Japan has ratified the Agreement so far.

### **2.3 Regional Comprehensive Economic Partnership (RCEP) Agreement**

2.4. 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; sixteen rounds of negotiations have been held to date with the seventeenth scheduled to start on 27 February 2017; the parties to these negotiations aim to complete them by 2017.

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<sup>2</sup> 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."

## 2.4 EAEU

2.5. 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 of tariff are higher as a result of adopting the common external tariff of the EAEU.

## 2.5 Tripartite FTA

2.6. 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 216) and ratification by 14 of the 26 parties. 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.

## 2.6 Trade in Services Agreement

2.7. 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. TiSA negotiation, which were launched in April 2013 are currently taking place between 23 partners, including developed and developing members.<sup>3</sup> 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.

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<sup>3</sup> 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.