

## RECENT DEVELOPMENTS IN REGIONAL TRADE AGREEMENTS

(JANUARY-SEPTEMBER 2018)

During the first three quarters of 2018, four regional trade agreements (RTAs) were notified to the WTO bringing the total number of RTAs in force and notified to the WTO to **288**.

### RTAs notified during the first three quarters of 2018

Four new RTAs were notified (6 **notifications** submitted). Two RTAs aiming at liberalizing trade in goods only (El Salvador-Ecuador; and MERCOSUR-Egypt), both notified under the Enabling Clause; and two covering trade in services as well (Turkey-Singapore; and China-Georgia), have been notified under GATT Art. XXIV.

**Table 1: Notifications of RTAs between January and September 2018**

RTA Name (parties)	Coverage	Notification (entry into force)	Notification
Turkey-Singapore	Goods & services	14-Sep-2018 (01-Oct-2017)	GATT Art. XXIV & GATS Art. V
China-Georgia	Goods & services	05-Apr-2018 (01-Jan-2018)	GATT Art. XXIV & GATS Art. V
El Salvador-Ecuador	Goods	22-Mar-2018 (16-Nov-2017)	Enabling Clause
Southern Common Market (MERCOSUR)-Egypt	Goods	19-Feb-2018 (01-Sep-2017)	Enabling Clause

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

The **early announcement** of one RTA (China-Moldova) under negotiation was received during the period.

### Evolution of RTAs

The total of 288 RTAs in force remains almost evenly split between RTAs covering goods only and those that cover both goods and services.<sup>1</sup>

### RTAs considered during the first three quarters of 2018

The **consideration** of RTAs notified to the WTO by Members takes place either in the Committee on Regional Trade Agreements (CRTA), if the RTA is notified under Article XXIV of the GATT 1994 or Article V of the General Agreement on Trade in Services (GATS), or in the Committee on Trade

and Development (CTD), if the RTA is notified under paragraph 2c of the Enabling Clause.

In the period January-September 2018, the CRTA held three meetings and considered eleven RTAs (accounting for 15 notifications). This brings the total number of RTAs considered by WTO Members between the end of December 2006 (when the RTA Transparency Mechanism was adopted) until the end of September 2018 to **166**. No RTA was considered by the CTD during the first three quarters of 2018.

**Table 2: Consideration of RTAs between January and September 2018**

RTA Name (parties)	Coverage	Consideration body	Factual Presentation
European Union-Côte d'Ivoire	Goods	CRTA	<a href="#">WT/REG258/1</a>
Japan-Mongolia	Goods & services	CRTA	<a href="#">WT/REG373/1/Rev.1</a>
ASEAN-Korea	Services	CRTA	<a href="#">WT/REG287/1</a>
Turkey-Malaysia	Goods	CRTA	<a href="#">WT/REG379/1/Rev.1</a>
Turkey-Moldova	Goods	CRTA	<a href="#">WT/REG378/1</a>
European Union-Canada	Goods & services	CRTA	<a href="#">WT/REG389/1</a>
Canada-Ukraine	Goods	CRTA	<a href="#">WT/REG388/1</a>
Cost Rica-Colombia	Goods & services	CRTA	<a href="#">WT/REG376/1</a>
European Union-San Marino	Goods	CRTA	<a href="#">WT/REG280/1</a>
Accession of Seychelles to the SADC Trade Protocol	Goods	CRTA	<a href="#">WT/REG368/1</a>
European Union-Cariforum States	Goods & services	CRTA	<a href="#">WT/REG255/1</a>

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

Other requirements of the Transparency Mechanism for RTAs include the publication of an **End of Implementation (EOI) report** under Paragraph 15 of the Mechanism.<sup>2</sup> No EOI reports were circulated during the period January-September 2018. Twelve EOI reports had been previously circulated, while EOI reports for 134 RTAs remain due, and 7 new EOI report will be still due by the end of 2018.

### RTA database

The WTO's RTA database was established in January 2009 as part of the WTO's surveillance of RTAs under the Transparency Mechanism for RTAs. It makes available to the public all the RTA texts, annexes and tariff and trade data provided by

<sup>1</sup> These RTAs correspond to 461 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.

<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."

parties to RTAs to the WTO as well as links to Committee documents such as the factual presentations and responses provided by RTA parties to WTO Members' questions. In addition, it provides information on the most frequently found topics in RTAs that have been notified and are in force. Such topics include the rules of origin, technical standards and trade defence as well as services and investment provisions and general rules regarding dispute settlement mechanisms, intellectual property rights, and exceptions that are present in RTAs. The database can be searched for any of these topics across all RTAs notified to the WTO and currently in force.

After a major update of some of its search functions, at the end of 2017, the WTO database provides now even more information. It is regularly updated.

The database is public and can be accessed at <http://rtais.wto.org>).

### ***RTAs being negotiated***

Against the background of a deteriorating trading environment, with risks of trade tensions and recourse to protectionist measures on economic growth, and serious challenges facing the multilateral trading system, negotiations of RTAs continue on many fronts. The following summarizes a selection of some of the main developments during the period January-September 2018.

#### ***• Intra-African integration***

In Africa, the entry into force of the African Continental Free trade agreement (AfCFTA), which was signed on 21 March 2018 by 44 of 54 African countries, is likely to be delayed as only 7 (out of 22 countries that need to ratify the agreement for it to enter into force) have done so thus far. In addition, some key elements of the agreement have still to be completed.

Efforts to ratify the Tripartite Agreement, which brings together the Common Market for Eastern & Southern Africa (COMESA), the Southern African Development Community (SADC) and the Southern African Customs Union (SACU), appear to have been partly side-tracked by the focus placed on the establishment of the AfCFTA.

Tunisia and Somalia have become members of COMESA bringing its total membership to 21; and the Comoros have announced that they will become a member of SADC.

In connection with the Economic Partnership Agreement (EPA) between the European Union (EU) and SADC, the United Kingdom and five African countries signatories to the EU-SADC EPA

have agreed that they will replicate the conditions of the EPA when the UK leaves the EU.

The factual presentation on the EU-Ghana EPA has been circulated. The RTA will be considered by the CRTA at its November 2018 meeting.

#### ***• Intra-Asian integration***

In Asia, the Parties to the Regional Comprehensive Economic Partnership (RCEP) - comprising Australia, Brunei, Cambodia, China, India, Indonesia, Japan, Laos, Malaysia, Myanmar, New Zealand, the Philippines, Singapore, Republic of Korea, Thailand, and Vietnam - are pursuing negotiations, with the aim of completing them by the end of 2018. Chapters on customs procedures and trade facilitation; and government procurement have been completed.

#### ***• Intra-CIS integration***

In connection with integration in the Commonwealth of Independent States (CIS) region, the WTO Secretariat circulated the factual presentation of the Eurasian Economic Union (EAEU) between the Russian Federation, Kazakhstan and Belarus as well as the result of the calculation of the General Incidence mandated under GATT Article XXIV. The factual presentations concerning the accessions of Armenia and the Kyrgyz Republic to the EAEU were also circulated. These three RTAs will be considered by the CRTA at its November 2018 meeting.

The EAEU has signed an "interim" agreement with Iran which covers a small number of products.

#### ***• Intra-North-American integration***

In North America, most integration efforts have been focused around the re-negotiation of the North American Free Trade Agreement (NAFTA). The US and Canada reached agreement in September, providing, *inter alia*, market access to Canada's dairy sector. Exemptions were also provided for US Section 232 of the US Trade Expansion Act of 1962 as amended tariffs on autos. The US and Mexico had previously reached an agreement in August. The Agreement, now called the US-Mexico-Canada FTA (USMCA), replaces the NAFTA. It is expected to be signed in November, following which it will be subject to domestic ratification procedures before the changes can enter into force. Entry into force of the USMCA FTA is not likely before Summer 2019.

#### ***• Trans-Pacific integration***

Regarding trans-Pacific integration, The US and Japan issued a joint statement indicating that they intended to start negotiations on an agreement whose focus appears to be mainly trade in goods

"and other key areas that can produce early achievements".

The members of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) are proceeding with ratification, with entry into force expected in early 2019. The CPTPP, which was signed by 11 Parties on 8 March 2018, will enter into force once six Parties have ratified it. Thus far five parties have ratified the Agreement (Australia, Japan, Mexico, New Zealand and Singapore). Colombia has also officially deposited its request to join the CPTPP. The Agreement is accompanied by a number of "side letters". Canada has released side letters with the other Parties, notably on culture. Side letters were also signed between Canada and Japan and between Canada and Malaysia on auto rules of origin. Viet Nam's concerns on dispute settlement were also addressed through a side letter, while some suspensions were granted for issues of concern to Malaysia and Brunei.

The FTA between Korea and the United States (KORUS) was renegotiated. The revised KORUS, inter alia, extends US tariffs on trucks (at 25%) for another 20 years, introduces a quota on steel from Korea and raises the number of US auto exports that do not need to meet Korean standards.

#### • **Trans-Atlantic integration**

On the trans-Atlantic front of integration, numerous negotiations are taking place:

With regard to US-EU trade relations, the parties appear to be seeking a limited agreement with an "early harvest" expected on technical barriers to trade. Exploratory meetings have taken place after agreement was reached to reduce industrial tariffs (except for automobiles). The EU had previously agreed to increase imports of certain products from the US including soybeans, which have been affected by China's retaliation against US tariffs; and liquified natural gas to diversify its energy supply sources.

As for Canada-EU trade relations, the CRTA considered the EU-Canada Comprehensive Economic and Trade Agreement (CETA) at its June meeting prompting a lively exchange between Members, something the CRTA has not seen in many years. CETA is provisionally applied (until ratified by all the EU Member States).

Another trans-Atlantic integration initiative is the renegotiation of the EU-Mexico FTA, which is expected to be ratified in 2019.

Negotiations are also being pursued between the EU and MERCOSUR, with no breakthroughs so far. While some progress was made, negotiations are held up on a number of key issues such as EU tariff

rate quotas for beef and sugar and liberalization of automobile tariffs by MERCOSUR.

#### • **Other integration processes**

Other negotiations involve the EU and Japan and EU-Singapore. Both Agreements have been signed. The EU Japan once it enters into force in 2019, will become the world's biggest RTA.

Other key negotiations taking place are between EFTA and MERCOSUR, Canada and MERCOSUR, MERCOSUR and members of the Pacific Alliance (constituted by Chile, Colombia, Mexico and Peru).

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