RTAs: numbers and coverage

- Number and share of trade steadily increasing since 1995

- As of mid-August 2008, 404 RTAs notified to WTO; of which 213 in force
  - Inflated numbers since e.g. goods and services RTAs must be notified separately, although same chapters of same agreement

- Guestimate: 40-50% of world goods trade now covered
All RTAs notified to the GATT/WTO (1948-2008), by the year of entry into force

No. of RTAs

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

- All RTAs notified to the GATT/WTO (1948-2008), by the year of entry into force.
FTAs and World Trade

Share of bilateral trade covered by FTAs, by country

- Mexico
- Tunisia
- FYOM
- Norway
- Croatia
- Honduras
- Morocco
- El Salvador
- Israel
- Canada
- Syria
- Switzerland
- Chile
- Lebanon
- Singapore
- Nicaragua
- Jordan
- Guatemala
- Turkey
- Algeria
- Egypt
- Malaysia
- Philippines
- Costa Rica
- South Africa
- Paraguay
- Colombia
- Bahrain

0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%
RTAs in the AMERICAS

- AMERICAS Intra-Regional
- AMERICAS Cross-Regional
Intra-Regional RTA Network in the AMERICAS (as of 2006)

Free Trade Area of the Americas
The FTAA includes all countries of the Western Hemisphere with the exception of Cuba
Cross-Regional RTA Network in the AMERICAS (as of 2006)
RTAs: Four trends

1) RTAs have taken front and centre stage in trade policy
   – shift of resources from MTS

2) Innovative in content – e.g. services;
   and not geographically bound, e.g. cross-regional and into new areas
   (e.g. environment !)
3) North-South RTAs replacing former preferential arrangements in favour of secure reciprocal arrangements

4) Consolidation of intra-regional RTAs into continent-wide regional trading blocks
Are RTAs effective?

- Spaghetti bowl?

or

- Rigatoni?
Americas RTA Spaghetti Bowl in 2007, selected main RTAs

Source: IADB
Building blocks?

- Increasing sophistication and inclusion of new topics strengthens capacity of government negotiators
Are RTAs effective?

OR stumbling blocks?

Indisputable consequence: a growing gap between preferential and MFN treatment

– Can foster trade lib & economic development (in principle new and deeper cuts e.g. in agric.)

– But increases discrimination and the risks of leaving out the poorer and those already marginalised in international trade
Are RTAs effective?

- Out of 122 agreements tested, less than half are « effective », i.e. have genuinely increased trade flows between members, Holmes (2005):
  - Agreements are not always effectively implemented
  - The coverage and real preferences might be low
  - Recent agreements are more likely to be effective
The inclusion of investment provisions in trade agreements is a recent phenomenon. At the origin:

- NAFTA (entered into force in 1994)
- GATS (1995)

All “second generation” RTAs signed since the mid-1990s have incorporated investment provisions

- Since 1994, some 180 RTAs combining investment and trade in services rules have come into existence
Investment provisions in RTAs

- Investment provisions in trade agreements are about investment *liberalisation* in addition to investment *protection and promotion*

  ... and interact with trade in services provisions (Mode 3, commercial presence).

- OECD research (Lesher and Miroudot, 2006) highlights that RTAs with substantive investment provisions are positively associated with trade and, to an even greater extent, investment flows.

  - An RTA with substantive investment provisions is associated with a 21% increase in exports and a 57% increase in FDI.
... are also commonly found in RTAs.

- Over 100 agreements with competition-related provisions. OECD (2005) has analysed 86 of them:
  - Trade is the overriding principle: main motivation is to protect the gains from trade liberalisation
  - RTAs take different approaches as to substantive competition rules and setting up of mechanisms on competition-related matters.
Competition provisions in RTAs... are also commonly found in RTAs.

- **Two models:**
  - EC-style agreements contain provisions addressing anticompetitive behaviour and prohibit the abuse of a dominant position.
  - North American agreements focus on coordination and co-operation and contain provisions that require the parties to adopt « measures » to deal with anti-competitive behaviour.

- **Competition provisions in RTAs related to co-operation and consultation are not viewed as very useful by competition authorities**

- **they prefer to resort to co-operation on an informal basis**
  - But the private sector might be of a different opinion: Anderson and Evenett (2006) show that some of these provisions have an impact on cross-border mergers and acquisitions.
Some References


OECD contacts

More information on OECD work on trade:

www.oecd.org/trade

Contact: sebastien.miroudot@oecd.org

and on environment and trade:

www.oecd.org/trade (click on Environment and Trade)

Contacts: joy.kim@oecd.org / ronald.steenblik@oecd.org
Thank You

Visit our website:

www.oecd.org/trade

Contact:

dale.andrew@oecd.org