

LANDSCAPE

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Preferential trade agreements (PTAs) are an enduring feature of the contemporary multilateral trading system. Sixty years after the founding of the General Agreement on Tariffs and Trade (GATT), the global trading landscape has changed beyond recognition. Membership in the World Trade Organization (WTO) continues to grow steadily, but meanwhile, participation in PTAs is expanding at an unprecedented rate. Slow progress in the Doha Round trade negotiations has no doubt contributed to this growth trend. As of February 2010, 266 PTAs were in force, and this figure did not include a significant number of agreements (mostly among developing countries) that had not yet been notified to the WTO, or the many PTAs still in the pipeline. As a consequence, a growing proportion of world trade is, or has the potential to be, conducted under preferential terms rather than under the nondiscriminatory regime of the WTO. In addition, trade conducted under preferential rules is increasingly subject to a plethora of crisscrossing regulatory regimes that modify and complicate the WTO's multilateral regulatory regime.

All but one of the WTO's 153 members is a party to at least one PTA (Mongolia is the exception), and most countries are parties to several. Today's PTAs are characterized by diverse geographic and physical configurations and differing regulatory content. Although PTAs offer the potential for increased trade and investment among their members through enhanced market access, they do so at the cost of introducing multiple layers of complexity into the global trading landscape, rendering trade relations less transparent and more unpredictable.

The aims of this chapter are (a) to provide a snapshot (as of February 2010) of recent developments and trends with respect to the number and scope of PTAs, (b) to analyze the types of PTA initiatives that are currently under negotiation in each geographic region, and (c) to assess the possible impact of a selection of plurilateral PTAs on trade

developments. Unless otherwise stated, the data presented take account of all bilateral, regional, and plurilateral trade agreements of a preferential reciprocal nature that have been notified to the GATT/WTO (see box 2.1 for definitions). The focus is on free trade agreements (FTAs), customs unions (CUs), partial-scope agreements in the area of trade in goods, and economic integration agreements (EIAs) in the area of trade in services.¹

Trends among PTAs

Recent developments and trends are shaping a PTA landscape that presents a number of significant features.

The first is *ubiquity*. PTA participation is becoming more diverse, spreading to most geographic regions, but especially to East Asia and the Pacific. North-South preferential partnerships are on the rise, with a number of developing countries electing to forgo unilateral programs—such as the generalized system of preferences (GSP) or trading arrangements previously conducted under a WTO waiver—in favor of reciprocal agreements. These developments are testing the negotiating capacity of developing countries, particularly where they have to deal with issues for which no multilateral rules currently exist or where the negotiating framework differs from that of the WTO. Such is the case, for instance, in PTAs covering trade in services.

The second is *consolidation*. Bilateral relationships are being replaced by plurilateral PTAs among the same partners, and agreements between regional blocs are on the increase. In Asia, countries long resistant to preferential trade liberalization are catching up, and plurilateral PTAs coexist alongside bilateral PTAs among the same sets of partners. Notwithstanding some consolidation, the growing number of overlapping plurilateral PTAs—particularly in Africa and Central Asia but also, increasingly, in the Americas and Asia—points to a further fragmentation of

Box 2.1. Typology of Preferential Trade Agreements

Care should be taken when categorizing preferential trade agreements (PTAs), given the differences in terminology used by institutions and researchers. In this study, we use the generic term PTA to refer to all reciprocal preferential agreements. The World Trade Organization (WTO), however, uses the term regional trade agreements (RTA) for all reciprocal preferential agreements and reserves PTA for nonreciprocal preferential agreements such as the generalized system of preferences (GSP) and the African Growth and Opportunity Act (AGOA). The terminology employed in this chapter is explained below.

Free trade agreement (FTA). An agreement between two or more parties in which tariffs and other trade barriers are eliminated on most or all trade. Each party maintains its own tariff structure relative to third parties. Examples are the North American Free Trade Agreement (NAFTA) and the Japan–Singapore New-Age Economic Partnership Agreement.

Customs union (CU). An agreement between two or more parties in which tariffs and other trade barriers are eliminated on most or all trade. In addition, the parties adopt a common commercial policy toward third parties that includes the establishment of a common external tariff. Thus, products entering the customs union from third parties face the same tariff regardless of the country of entry. Examples are the Southern Cone Common Market (Mercosur, Mercado Común del Sur) and the agreement between the European Union (EU) and Turkey.

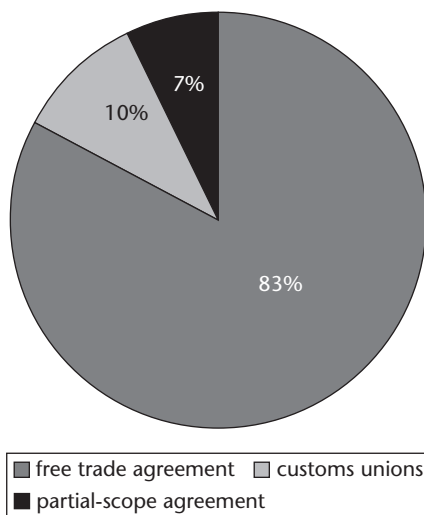
Partial-scope agreement. An agreement between two or more parties that offer each other concessions on a selected number of products or sectors. Examples are the Asia-Pacific Trade Agreement (APTA) and the agreement between the Lao People’s Democratic Republic and Thailand.

Economic integration agreement (EIA). An agreement covering trade in services through which two or more parties offer preferential market access to each other. Examples are the U.S.–Peru and Thailand–Australia PTAs. Typically, services provisions are contained in a single PTA that also covers goods. An EIA may be negotiated some time after the agreement covering goods; for example, the Caribbean Community (CARICOM) and the European Free Trade Association (EFTA) have negotiated separate services protocols.

Preferential trade agreement (PTA). The generic term used in this study to denote all forms of reciprocal preferential trade agreements, including bilateral and plurilateral agreements.

The figure shows the breakdown of PTAs covering trade in goods notified to the WTO and in force as of February 2010. FTAs are by far the most common type, accounting for 83 percent of all PTAs. Customs unions, a deeper form of integration, require significant policy coordination between their parties. They are more time consuming to negotiate, are less common, and make up only 10 percent of all PTAs. Partial-scope agreements account for the remaining 7 percent.

Types of PTAs Notified to the WTO



Source: WTO Secretariat.

trading relations and to complications for traders, exporters, and customs authorities alike.

The third is the changing *structural configuration* of PTAs. Bilateral PTAs are increasingly becoming the norm. Such PTAs are concluded more quickly than those involving multiple partners. More significantly, they are indicative of

a shift away from viewing the agreements as a means of forging traditional regional partnerships among several geographically proximate countries and toward employing them, instead, as instruments for negotiating strategic, bilateral market access, often among countries in different regions. Indeed, cross-regional PTAs account for two-thirds

of those currently under negotiation. Bilateral partnerships have the potential to generate further fragmentation of global trading rules because each PTA maintains its own distinct regulatory framework. Initiatives to alleviate fragmentation by harmonizing preferential rules of origin are little in evidence outside the pan-European system of cumulation of origin.

The fourth is the broadening and deepening of the *regulatory scope* of PTAs. Increasingly, PTAs include a services component, in addition to the traditional exchange of preferences on goods. On issues that fall under the current mandate of the WTO, some countries have elected to undertake bilateral commitments going beyond those they have accepted at the multilateral level (WTO+ provisions) and some are undertaking commitments on issues that lie outside the current WTO mandate (WTO-extra provisions).

The fifth is the *impact* of PTAs. As discussed later in this chapter, trade flow data indicate that for a number of plurilateral PTAs, intra-PTA imports have increased as a share of total imports, and growth in intra-PTA exports is associated with growth in total exports. PTA partners in selected plurilateral PTAs trade more internally than would be expected in the absence of a PTA, and the impact on extra-PTA exports and imports is largely positive.

The PTA Kaleidoscope

This section expands and updates an earlier study conducted by the WTO in 2008 (Fiorentino, Crawford, and Toqueboeuf 2009). As in that study, we map PTA proliferation and examine the trends and characteristics of PTAs with respect to their type, physical composition, scope, and geographic spread. The focus is on PTAs notified to the WTO and in force, and on those currently being negotiated.

Quantifying and Qualifying the Proliferation of PTAs

PTAs continue to be a prominent feature of most countries' commercial policy, and we expect the current sharp upward trend in the number of new PTAs to continue for the foreseeable future. Although the multilateral tariff reductions that would accompany successful completion of the Doha Round of trade negotiations may dull countries' appetite for the negotiation of further PTAs in the medium term, we think it is likely that the number of PTAs will continue to increase in the short term as those PTAs already signed or under negotiation enter into force and those further down the pipeline, in the proposal or study phase, come on line. Also, to the extent that PTAs are

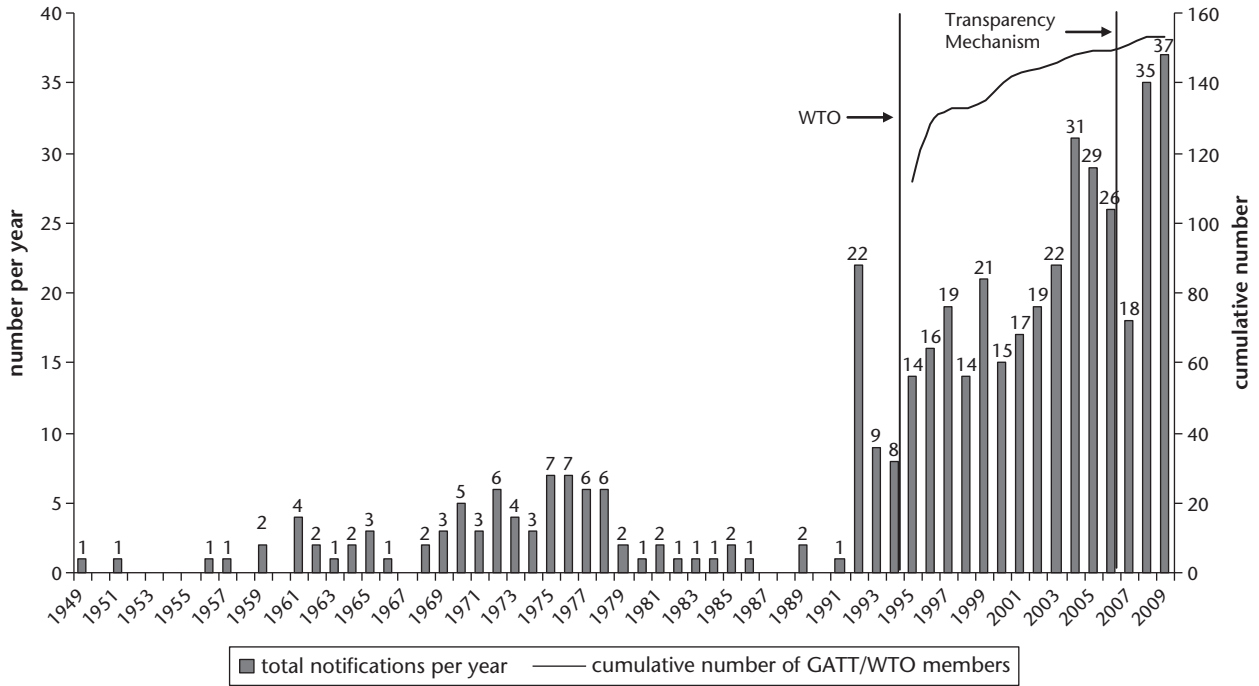
a manifestation of motivations that may not be addressed in multilateral global economic integration efforts (for example, geopolitical concerns, the diffusion of social preferences, and the establishment of regional public goods), the successful conclusion of the Doha Round trade negotiations—despite the inherent preference erosion that will result—may not be sufficient to diminish the appeal of these agreements. Figures 2.1–2.4 trace the chronological development of PTAs within the WTO framework.

Figure 2.1 shows the number of PTA notifications received by the GATT/WTO each year between 1948 and February 2010. In the five-year period 2000–04, 15 PTAs were notified annually, on average. In 2005–07, notifications declined from the 2004 level, to an average of 24 per year. In 2009, 37 notifications were received, 20 covering trade in goods, and 17 covering trade in services. This was the highest number of notifications received in a single year.

The growth in PTA notifications should be interpreted with caution because it reflects accession commitments made by WTO members.² Following its accession to the WTO in 2008, Ukraine notified 10 PTAs, some of which had been in force for 10 years or more. Given that many of the countries in the WTO accession process (for example, the Russian Federation and the other successor states to the Soviet Union) are active PTA players, future accessions to the WTO will lead to periodic spurts in PTA notifications. In addition, recent efforts by the WTO membership to encourage notification of PTAs already in force but not yet notified appears to be producing results, because several PTAs that had been in force for some time were notified in the course of 2009.³

Figure 2.2 shows the total number of PTAs notified to the GATT/WTO according to the year in which they entered into force or became inactive.⁴ As of February 2010, 457 PTAs had been notified, of which 266 (including accessions to existing agreements) are currently in force; of these, 191 are in the area of goods and 75 in services. The two significant dips in the cumulative active number of PTAs shown in the figure are a result of the consolidations of PTA networks in the European region following the enlargements of the European Union in 2004 and 2007 and among Balkan countries in the enlarged Central European Free Trade Agreement (CEFTA). These periodic consolidations, while reducing the total number of active PTAs, are not indicative of a decrease in the amount of trade that is subject to preferences; preferential trade continues to be conducted among the countries concerned, but under a different relationship or configuration. A similar process of consolidation is expected to take place in Central America, where bilateral agreements being concluded between

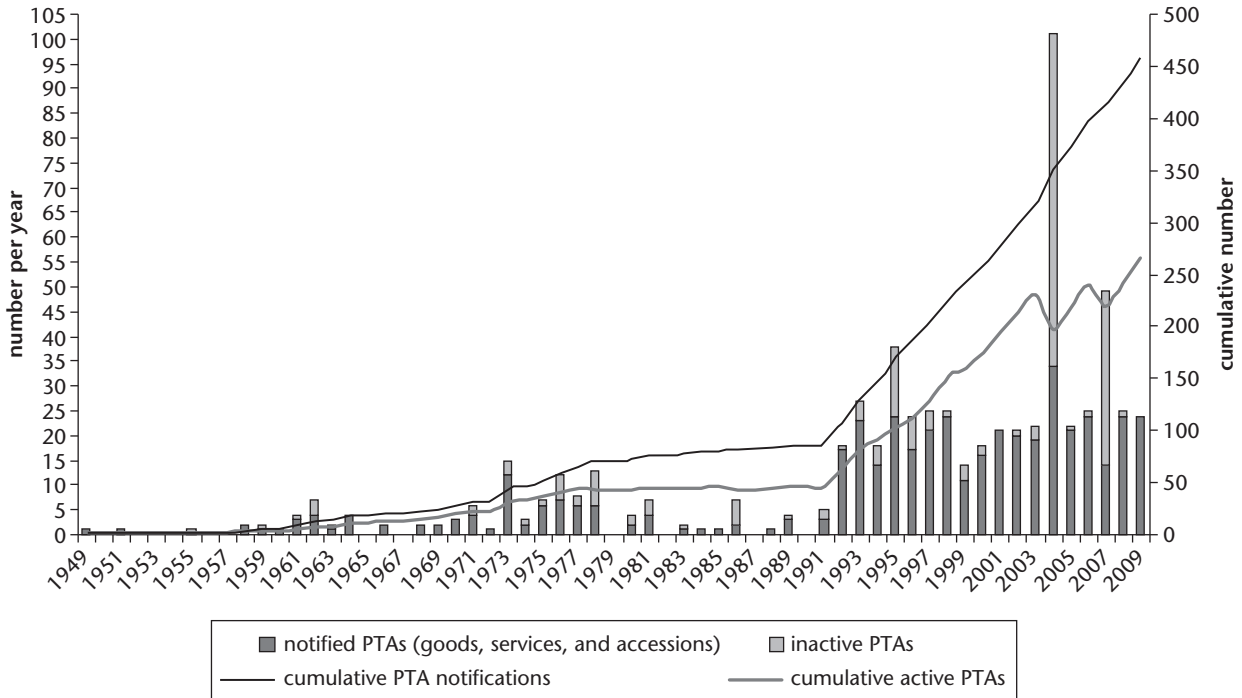
Figure 2.1. Total PTA Notifications Received by the World Trade Organization, by Year, 1949–2009



Source: WTO Secretariat.

Note: GATT, General Agreement on Tariffs and Trade; PTA, preferential trade agreement; WTO, World Trade Organization.

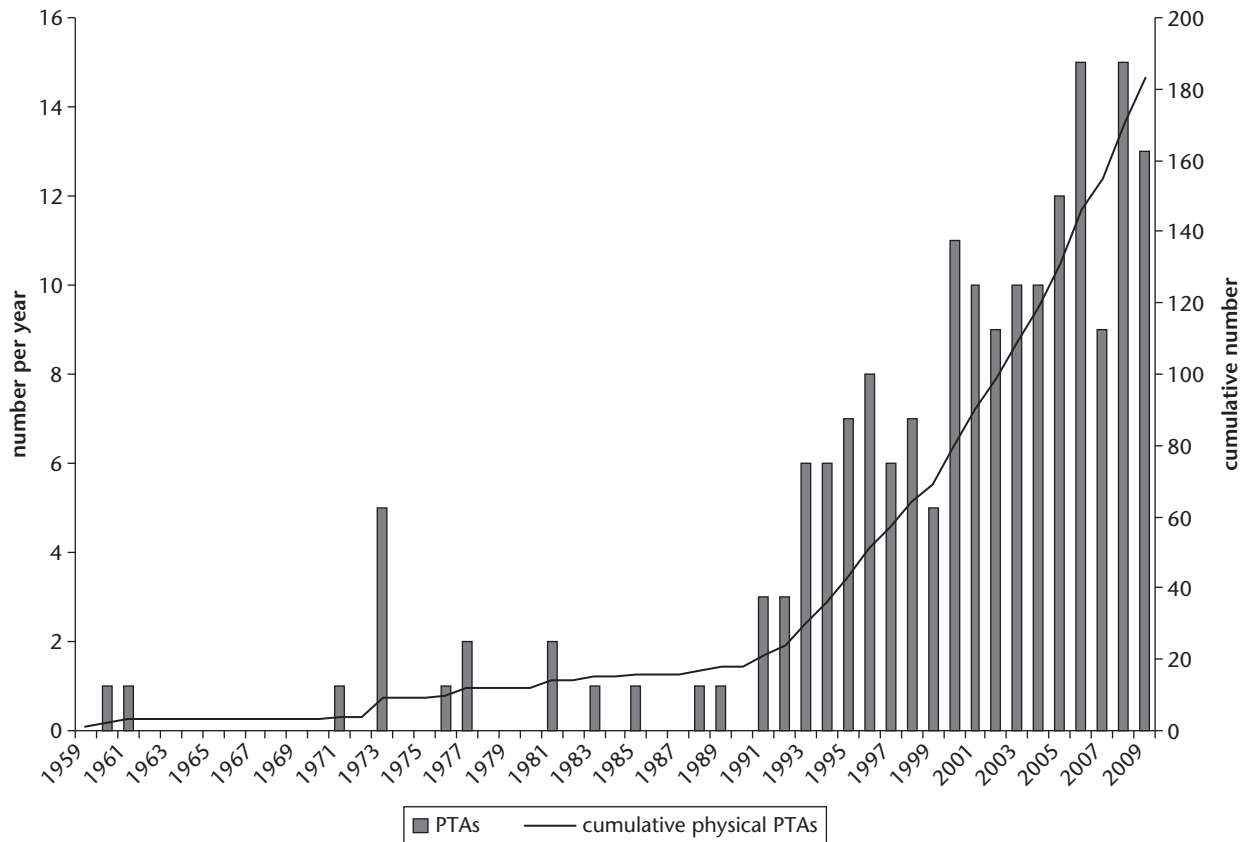
Figure 2.2. All PTAs Notified to the GATT/WTO, by Year of Entry into Force, 1949–2009



Source: WTO Secretariat.

Note: GATT, General Agreement on Tariffs and Trade; PTA, preferential trade agreement; WTO, World Trade Organization.

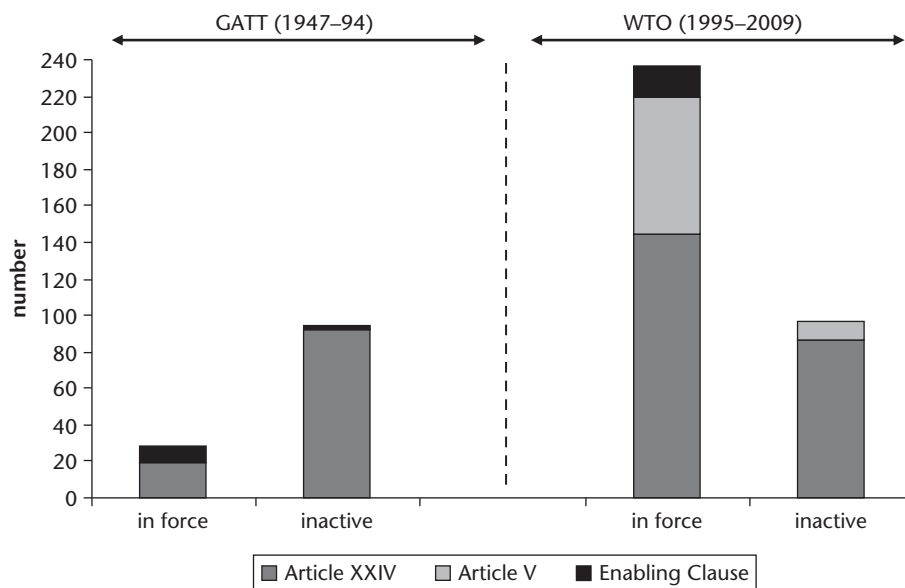
Figure 2.3. PTAs Notified to the GATT/WTO and in Force, by Year of Entry into Force, 1959–2009



Source: WTO Secretariat.

Note: GATT, General Agreement on Tariffs and Trade; PTA, preferential trade agreement; WTO, World Trade Organization.

Figure 2.4. PTAs Notified to the GATT (Pre-1995) and the WTO (Post-1995), by Legal Provision



Source: WTO Secretariat.

Note: GATT, General Agreement on Tariffs and Trade; PTA, preferential trade agreement; WTO, World Trade Organization.

Chile, Panama, and individual Central American Common Market (CACM) countries will be replaced by a series of PTAs that link all CACM members with a respective Latin American partner.

Asia, by contrast, exhibits a layering effect whereby countries are members of both plurilateral and bilateral PTAs. For example, a preexisting PTA between New Zealand and Singapore coexists alongside the plurilateral PTA linking the same parties, the Trans-Pacific Strategic Economic Partnership (SEP). Similarly, the PTA between the Association of Southeast Asian Nations (ASEAN) and Japan coexists with bilateral PTAs between Japan and individual ASEAN members such as Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Vietnam. This adds to the complexity of trading relations because agreements may contain different schedules for tariff elimination, rules of origin, and regulatory provisions.

The upward trend in the number of PTAs is evident in figure 2.2. Not only is the number of PTAs increasing, but the number of countries involved continues to diversify. During the 1990s, much of the proliferation of PTAs took place in Europe and Central Asia as the countries of those regions forged new trading relationships following the breakup of the Soviet Union. Since 2000, PTA participation has become more diverse, spreading to all geographic regions, particularly East Asia and the Pacific. PTA activity is increasingly concentrated in developing countries.

Figure 2.3 distinguishes between the number of physical PTAs and the number of PTA notifications.⁵ The number of services PTAs has been increasing, particularly since 2000. For instance, of the 14 distinct PTAs that were notified and entered into force in 2009, 11 had a services component, and almost three-quarters of all PTAs in force and notified to the WTO contain provisions on trade in services. Also of note is the fact that developing countries are increasingly negotiating PTAs that include both goods and services components.

A total of 183 physical PTAs have been notified to the WTO (as of February 2010) and are currently in force. This figure does not include the hundred or so PTAs that are currently in force but have not been notified to the WTO. Such PTAs are almost exclusively among developing countries, and most are bilateral agreements involving two parties.

Figure 2.4 looks at the proliferation of PTAs chronologically, differentiating between the PTAs notified during the GATT years and those notified since the establishment of the WTO, according to the relevant legal provision.⁶ Of the 123 PTAs notified during the GATT years, only a quarter remain in force. In many cases, older PTAs have

been superseded by newer ones between the same signatories or have been consolidated into larger geographic groupings. Of those that remain in force, a third were notified under the GATT Enabling Clause, which allows preferential treatment among developing countries. Of the PTAs covering trade in goods notified to the WTO, 90 percent were notified under GATT Article XXIV, which permits PTAs as an exception to most favored nation (MFN) rules.

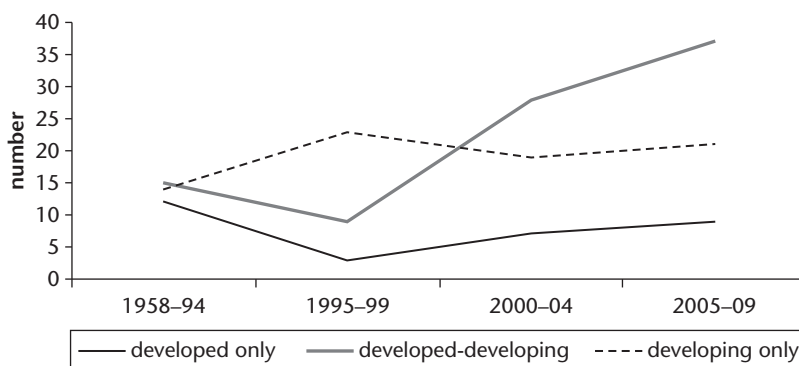
Of the 334 PTAs notified to the WTO, 70 percent remain in force. As we shall see, much of the recent growth of PTAs is accounted for by agreements among developing countries, many of which have notified the goods provisions of their PTAs under GATT Article XXIV, rather than exercising their option to notify them under the Enabling Clause.

Continuing Evolution of the Composition of PTAs

The past 15 years or so have witnessed changes in the dynamics of trading relationships between developed and developing countries.⁷ Figure 2.5 shows how participation in PTAs has evolved over time.

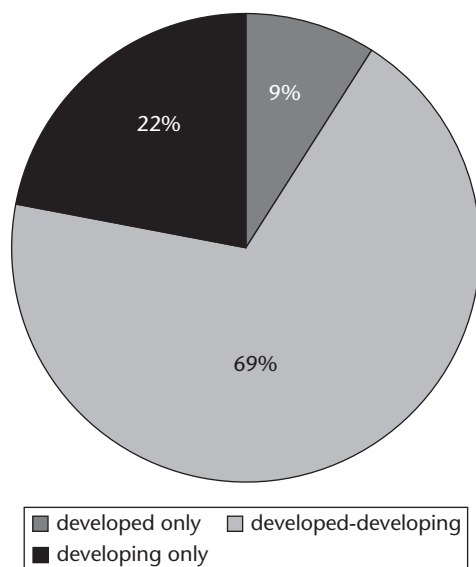
Among PTAs concluded since the establishment of the WTO, the number with exclusively developing-country members rose initially and has since remained fairly steady; those exclusively among developed countries fell during the first five years of the WTO and have risen slightly since; and those between developed and developing countries show the most marked increase. In part, this mirrors the growing membership of developing countries in the WTO and the fact that developing countries outnumber developed countries in our classification by a ratio of about 2:1. However, it also reflects the fact that preferential trade relations between developed and developing countries are increasingly becoming reciprocal, in part because of the need to fulfill WTO legal obligations. In addition, a growing number of developing countries are choosing to forge reciprocal trading relationships with developed countries rather than rely on nonreciprocal preferential trading relationships such as GSP programs.

Figure 2.6 analyzes the hundred or so PTAs under negotiation and signed (but not yet in force), based on the parties' level of development.⁸ The data shown in the figure confirm our observation that North-South PTAs are becoming increasingly prevalent. They constitute 69 percent of the PTAs under negotiation, whereas those exclusively between developing countries account for 22 percent and those exclusively between developed countries account for 9 percent.

Figure 2.5. Evolution of Notified PTAs in Force, by Type of Partner, 1958–2009

Source: WTO Secretariat.

Note: PTA, preferential trade agreement.

Figure 2.6. Number of PTAs under Negotiation and Signed, by Type of Partner, as of February 2010

Source: WTO Secretariat.

Note: PTA, preferential trade agreement.

Structural Configuration of PTAs

As can be seen in figure 2.7, which differentiates between bilateral and plurilateral PTAs notified and still in force, plurilateral PTAs accounted for two-thirds of all PTAs notified during the GATT years.⁹ Since the establishment of the WTO, bilateral PTAs have increasingly become the norm, making up more than 80 percent of all PTAs notified during this period and roughly 90 percent of those currently under negotiation. This confirms the observation by Fiorentino, Crawford, and Toqueboeuf (2009) that PTAs are less used as instruments for promoting intraregional

integration in the traditional sense—as with EFTA, ASEAN, and the Southern African Customs Union (SACU), which by definition are plurilateral partnerships—and more as tools for negotiating strategic, bilateral, and more flexible market access.

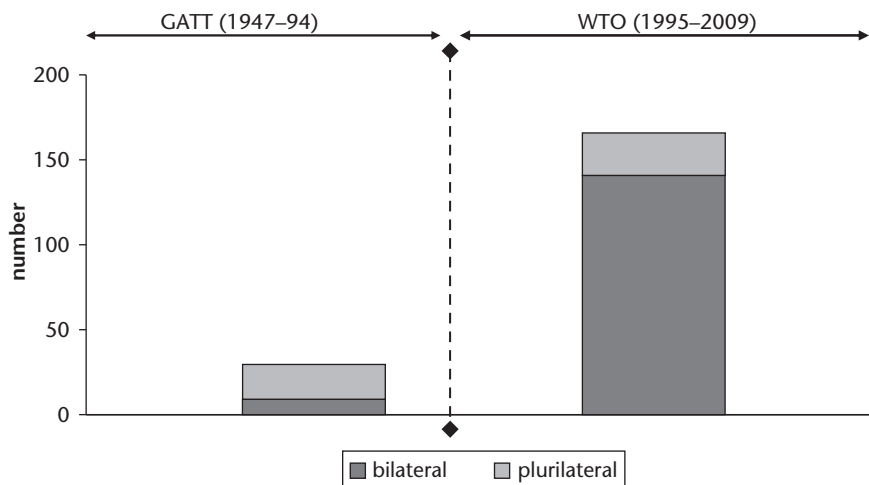
A related development is the emergence of PTAs in which all the parties are themselves members of PTAs. The first PTA of this kind notified to the WTO was that between EFTA and SACU, linking the four EFTA countries with the five-member SACU customs union. More PTAs of this type are currently under negotiation—for example, those between the European Union (EU) and the Southern Cone Common Market (Mercosur, Mercado Común del Sur) and between the Gulf Cooperation Council (GCC) and Mercosur.

Geographic Configuration of PTAs

Countries seeking preferential partners have tended recently to look beyond their regional neighbors and farther afield.¹⁰ As figure 2.8 shows, as of February 2010, cross-regional PTAs accounted for 28 percent of PTAs notified to the GATT and for 34 percent of those notified to the WTO. The tendency toward the negotiation of PTAs across regional boundaries is more pronounced for PTAs currently being negotiated; cross-regional PTAs account for two-thirds of the total in this group.

Figure 2.9 presents the geographic regions represented in PTAs that have been established over the past 10 years. Countries in Europe and Central Asia, particularly members of EFTA and of the Commonwealth of Independent States (CIS), were active PTA players during the period. Also notable is the growing PTA participation of countries in East Asia and the Pacific; no new PTAs came into force in this region in 2000, but a yearly average of more than

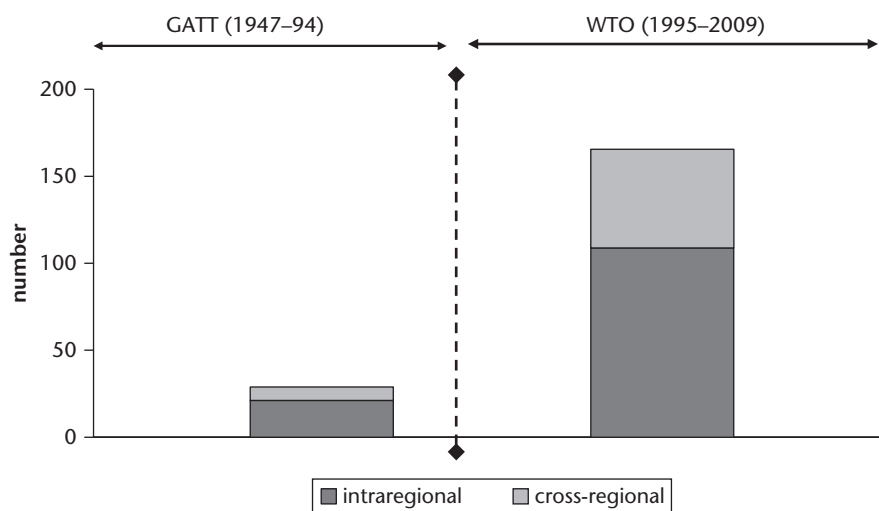
Figure 2.7. Bilateral versus Plurilateral PTAs Notified to the GATT/WTO



Source: WTO Secretariat.

Note: GATT, General Agreement on Tariffs and Trade; PTA, preferential trade agreement; WTO, World Trade Organization.

Figure 2.8. Cross-Regional and Intra-regional PTAs Notified to the GATT/WTO



Source: WTO Secretariat.

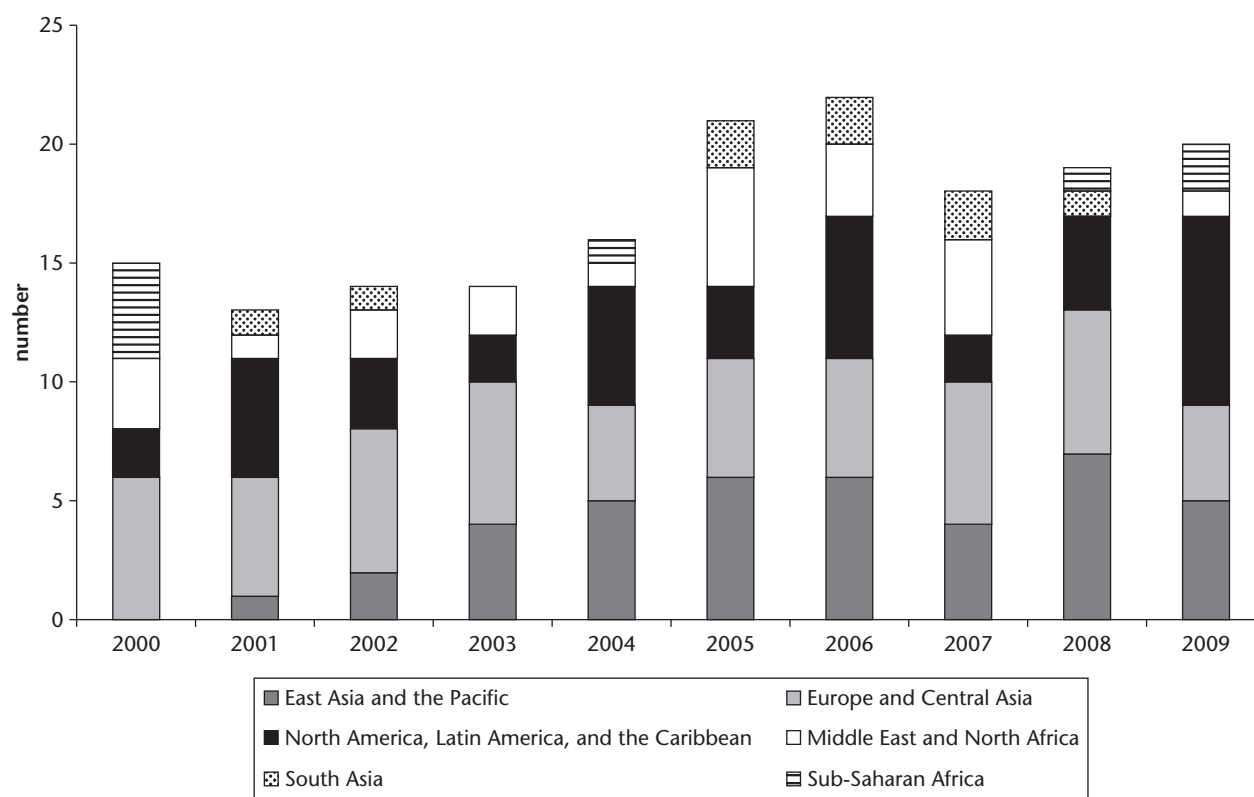
Note: GATT, General Agreement on Tariffs and Trade; PTA, preferential trade agreement; WTO, World Trade Organization.

five new PTAs did so in the period 2005–09. In 2009, most PTA activity was conducted by countries in the Americas and the Caribbean, led by Canada, Chile, Peru, and the United States. By contrast, South Asia and Sub-Saharan Africa, home of some of the world’s poorest countries, witnessed much less PTA activity during this time, indicating that they may risk becoming further marginalized in their pursuit of PTA partners.

Figure 2.10 shows PTAs under negotiation and signed but not yet in force, by geographic region. Cross-regional

PTAs consisting of parties in two or more geographic regions account for the largest share, 67 percent of the total. Intra-regional PTAs under negotiation among countries in the Americas and the Caribbean make up the second largest group, followed closely by the East Asia and the Pacific region.

Another view of PTAs in force and under negotiation for a number of selected countries is shown in figure 2.11. The EU continues to be the dominant PTA player, with 29 PTAs in force and another 14 under negotiation. Chile, EFTA,

Figure 2.9. PTAs, by Region and by Year of Entry into Force, 2000–09

Source: WTO Secretariat.

Note: PTA, preferential trade agreement. An effort was made to classify each PTA according to the regions of its individual parties and to avoid the use of the cross-regional category. A degree of double-counting therefore arises because, for example, an intraregional PTA is counted once, whereas a PTA involving two or more regions is counted once for each region.

Singapore, and Turkey constitute the second most active group. Also of interest are Australia, Canada, the GCC, and the Republic of Korea, which have only a handful of PTAs in force but are actively negotiating a number of others.

Deepening Scope of PTAs

PTAs are increasingly covering more than trade in goods and services; they extend to rules and disciplines on various regulatory border and behind-the-border policies.¹¹ For the purposes of this chapter, we define such agreements as deep PTAs. These might contain

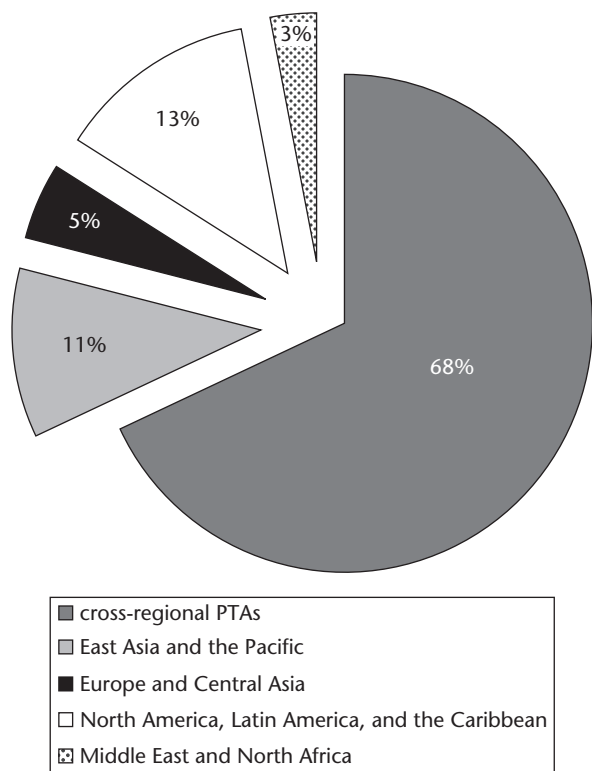
- Provisions that come under the current mandate of the WTO but only reaffirm the existing multilateral commitments
- Provisions within the current mandate of the WTO but in which the parties to a deep PTA undertake commitments beyond those accepted at the multilateral level (WTO+)

- Qualitatively different and new provisions lying outside the current WTO mandate (WTO extra).

PTA commitments that are also covered at the multilateral level include provisions concerning sanitary and phytosanitary (SPS) measures, technical barriers to trade (TBT), antidumping, state aid, and obligations already covered by the General Agreement on Trade in Services (GATS), Trade-Related Aspects of Intellectual Property Rights (TRIPS), and Trade-Related Investment Measures (TRIMS) arrangements. WTO-extra obligations deal with environmental provisions, labor laws, and movement of capital and also with competition policy, intellectual property rights (IPRs) not referenced in the TRIPS agreement, and so forth.

As figure 2.12 shows, the number of PTAs that include deep provisions has been steadily increasing since the early 2000s.¹² The most prevalent of these provisions usually concern customs cooperation, IPRs, competition policy, TBT and SPS measures, government procurement, and investment. Assessing such evolution is far from an exact

Figure 2.10. PTAs in Force and under Negotiation, by Region

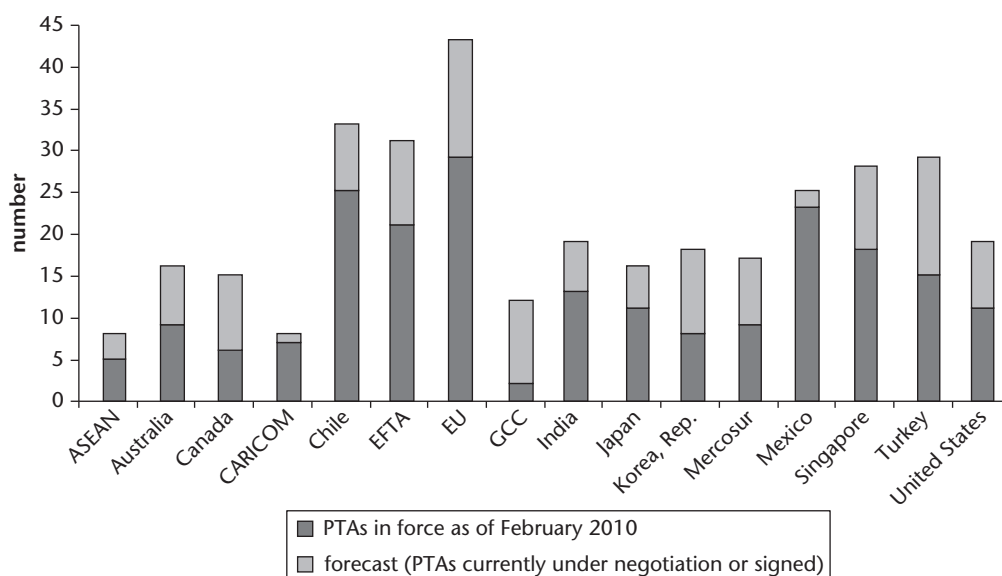


Source: WTO Secretariat.
 Note: PTA, preferential trade agreement.

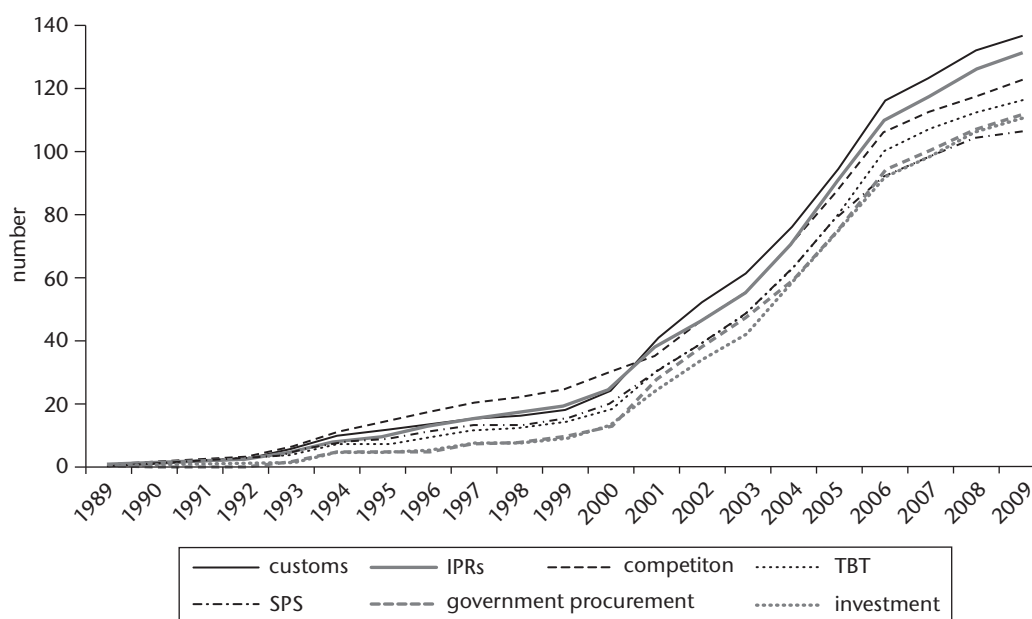
science. The WTO regional trade agreement (RTA) database currently includes only the commitments undertaken in PTAs notified to the WTO following the introduction of the Transparency Mechanism in 2006 and, to a lesser extent, agreements notified before December 2006. (The Transparency Mechanism calls for early announcement of negotiations to set up an RTA and early notification of the RTA's creation.) As a result, the database currently covers about 45 percent of the PTAs notified to the WTO. Figure 2.12 attempts to supplement the WTO information with other sources to provide a more accurate picture of the basic trends in the inclusion of additional commitments in PTAs. Although the cumulative rise in agreements that include such commitments is partly the outcome of the sample composition, the sheer volume of agreements containing such provisions (compared with the total number of PTAs) in recent years indicates the level of interest in deeper integration in the context of preferential trading.

Although it is difficult to be precise about the share of agreements containing provisions that go beyond existing commitments at the multilateral level, research on recent bilateral PTAs signed by the United States and the EU shows that there is an increasing tendency for their agreements to exceed existing WTO commitments. The United States and the EU are the main players on the international trade scene, and the bilateral agreements signed by them often constitute a benchmark for other PTAs. It has been

Figure 2.11. PTAs in Force and under Negotiation by Selected Countries and Groupings, as of February 2010



Source: WTO Secretariat.
 Note: ASEAN, Association of Southeast Asian Nations; CARICOM, Caribbean Community; EFTA, European Free Trade Association; EU, European Union; GCC, Gulf Cooperation Council; Mercosur, Southern Cone Common Market (Mercado Común del Sur); PTA, preferential trade agreement.

Figure 2.12. Issues Covered in Regional Trade Agreements, 1989–2009

Source: WTO RTA database; World Bank Global Preferential Trade Agreements database; *Global Economic Prospects* (World Bank 2005); and additional observations based on Horn, Mavroidis, and Sapir 2010.

Note: IPRs, intellectual property rights; SPS, sanitary and phytosanitary; TBT, technical barriers to trade.

estimated that these two parties account for about 80 percent of the rules that regulate the functioning of world markets (Sapir 2007).

Horn, Mavroidis, and Sapir (2010) review provisions in 28 EU and U.S. PTAs with developed and developing countries. Table 2.1, which is based in part on their findings, indicates a high degree of coverage of WTO+ areas in both EU and U.S. agreements. Provisions on customs cooperation, TBT, and public procurement are included in most EU and U.S. agreements. By contrast, provisions on trade in services are included in all but one of the U.S. agreements but in only four of the EU agreements. Similarly, most U.S. agreements include obligations on TRIPS and on regulation of export taxes, whereas no EU agreements include such provisions.

It often proves in EU agreements that either the language regarding WTO+ obligations is not sufficiently precise to be legally enforceable, or no dispute settlement mechanism is available for enforcing the commitment. Areas that are often unenforceable because of imprecise language include public procurement, TBT and SPS provisions, and environmental laws; in U.S. agreements, SPS and competition provisions tend to have this shortcoming. Overall, however, the U.S. agreements contain substantially fewer areas with legally unenforceable language.

The depth of the commitments with respect to nontariff measures (NTMs) is increasingly substantial and in most

agreements goes beyond multilateral commitments. For example, in the case of customs administration, the EU favors the establishment of a framework for negotiation that aims at simplifying customs procedures and reducing deadweight costs. The United States also seeks to establish a framework for cooperation in customs administration, typically requesting that the other party increase transparency and publish all customs-related laws and regulations.

Enforceable provisions concerning SPS and TBT measures appear in fewer than half of the EU agreements under review. Typically, on top of reinforcing the commitments of the WTO TBT and SPS agreements, the EU establishes a forum designed to promote unilateral or mutual recognition of standards and conformity assessment. These commitments are deeper than in the case of U.S. PTAs, which usually reconfirm the parties' WTO obligations.

In the area of services, the obligations can be quite substantial. In at least one case (the U.S. PTA with Chile), the United States has adopted regulatory provisions that do not exist in the GATS. One such provision requires the parties to communicate their services-related laws at the draft stage, before they are actually enacted. Although the other party's comments are not binding, an active integration process is thus established.

The EU and U.S. PTAs contain a number of WTO-extra measures. In the area of competition, the EU generally includes legally enforceable provisions in its PTAs, whereas

Table 2.1. Deep Commitments in Selected EU and U.S. PTAs, by Type of Provision

Parties to PTA	Customs cooperation	SPS	TBT	Public procurement	Competition	IPRs	Investment	Services	Labor market regulations	Environmental laws
EEA	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
EU–Albania	Yes	No	Yes	Yes	Yes	Yes	Yes	No	No	Yes
EU–CARIFORUM	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
EU–Chile	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes
EU–Croatia	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No	Yes
EU–Egypt, Arab Rep.	Yes	No	Yes	Yes	Yes	Yes	Yes	No	No	Yes
EU–Israel	Yes	Yes	Yes	Yes	Yes	Yes	No	No	No	Yes
EU–Jordan	Yes	Yes	Yes	No	Yes	Yes	Yes	No	No	Yes
EU–Macedonia, FYR	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No	Yes
EU–Mexico	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes
EU–Morocco	Yes	No	Yes	Yes	Yes	Yes	Yes	No	No	Yes
EU–South Africa	Yes	No	Yes	Yes	Yes	Yes	Yes	No	No	Yes
EU–Tunisia	Yes	No	Yes	Yes	Yes	Yes	Yes	No	No	Yes
EU–Turkey	Yes	No	Yes	Yes	Yes	Yes	No	No	No	No
Total provisions	14	8	14	13	14	14	12	4	2	13
Legally enforceable provisions	13	3	5	7	13	11	8	4	2	2
NAFTA	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
United States–Australia	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
United States–Bahrain	Yes	Yes	Yes	Yes	No	Yes	No	Yes	Yes	Yes
United States–CAFTA-DR	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes
United States–Chile	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
United States–Colombia	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
United States–Israel	No	Yes	No	Yes	No	No	No	No	No	No
United States–Jordan	Yes	No	No	Yes	No	Yes	No	Yes	Yes	Yes
United States–Korea, Rep.	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
United States–Morocco	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes
United States–Oman	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes
United States–Panama	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes
United States–Peru	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
United States–Singapore	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Total provisions	13	12	12	14	7	13	11	13	13	13
Legally enforceable provisions	13	2	11	13	0	13	11	13	13	13

Source: World Bank 2005; Horn, Mavroidis, and Sapir 2010; WTO RTA database; Tuck Trade Agreements Database, Center for International Business, Dartmouth College (http://www.dartmouth.edu/~tradedb/trade_database.html).

Note: The inclusion of deeper provisions in PTAs is shown whether or not the commitments go beyond existing commitments under the relevant WTO agreements. In addition, such provisions may or may not be legally enforceable. CARIFORUM, Caribbean Forum of African, Caribbean, and Pacific (ACP) States; EEA, European Economic Area; CAFTA-DR, Central America Free Trade Agreement–Dominican Republic; IPR, intellectual property rights; NAFTA, North American Free Trade Agreement; SPS, sanitary and phytosanitary; TBT, technical barriers to trade.

only about half of the U.S. PTAs considered by the Horn, Mavroidis, and Sapir (2010) study contain such provisions, and none is legally enforceable. Most EU PTAs prohibit agreements between enterprises that have the object or effect of prevention, restriction, or prohibition of competition, and most bar, as well, the abuse of a dominant position by one or more enterprises in activities affecting trade between parties. The agreements also stipulate that the competition authorities of the PTA parties cooperate to ensure that such prohibitions are enforced. Many EU PTAs also prohibit public aid that distorts or might distort competition by favoring certain enterprises or the production of certain goods. Legal enforceability varies among EU PTAs. For example, obligations of this kind in EU PTAs with Latin American countries are less far reaching than those signed with other countries. The EU–Mexico PTA does not refer to prohibitions, as do other agreements, but simply mandates that the parties agree on the appropriate measures for preventing distortions or restrictions of competition that could significantly affect trade between the EU and Mexico.

In the case of investment, most EU and U.S. PTAs contain legally enforceable obligations, but of quite different kinds. Typically, the EU agreement refers only to cooperation to promote investment between parties through the establishment of mechanisms to provide information on investment rules, development of a bilateral legal framework to promote

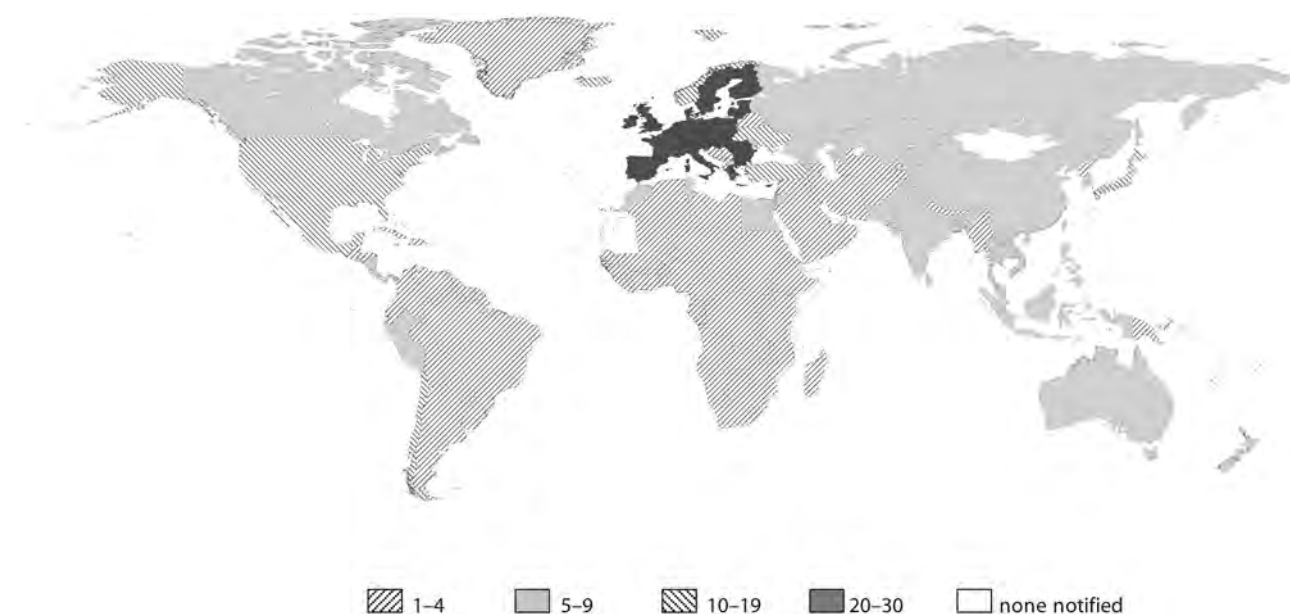
and protect investment, technical assistance, and so on.¹³ The U.S. agreements, by contrast, generally include legally enforceable rules whereby parties agree to extend MFN and national treatment to each other and provide mechanisms for compensation in case of expropriation, as well as detailed rules for arbitration in case of conflict.

As for IPRs, all of the EU and U.S. PTAs listed in table 2.1 contain legally binding clauses that oblige the parties to become signatories to various intellectual property agreements not covered by the TRIPS agreement. The obligations under the U.S. agreements tend to be more comprehensive and to cover more aspects of intellectual property rights than do EU agreements.

Global Landscape of PTAs: State of Play and Future Regional Developments

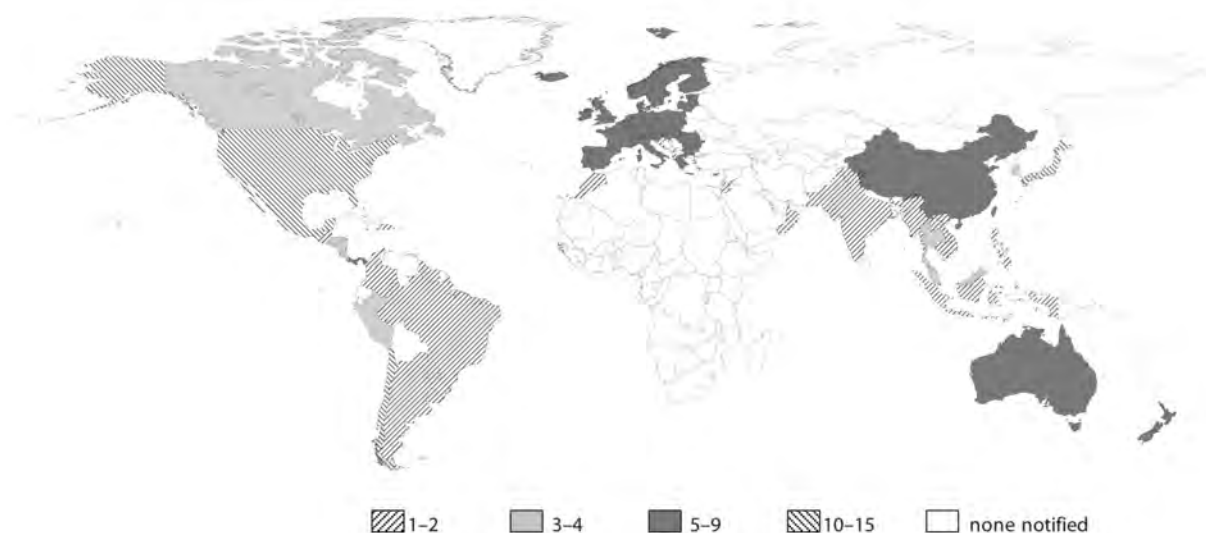
Figures 2.13 and 2.14 show the participation of individual countries in PTAs covering trade in goods and services that had been notified and were in force as of February 2010. As regards trade in goods, the EU is engaged in the highest number of PTAs, followed by the United States, Chile, Mexico, and the EFTA states, which are members of 10 to 19 PTAs. Canada, Australia and most countries in Asia participate in five to nine PTAs, whereas most African countries and some Latin American countries are involved in one to four. The map does not show the hundred or so

Figure 2.13. Participation in Notified PTAs as of February 2010 (Goods)



Source: WTO Secretariat.

Note: PTA, preferential trade agreement.

Figure 2.14. Participation in Notified EIAs as of February 2010 (Services)

Source: WTO Secretariat.

Note: EIA, economic integration agreement.

PTAs, mostly involving developing countries, that are in force but have not been notified to the WTO.

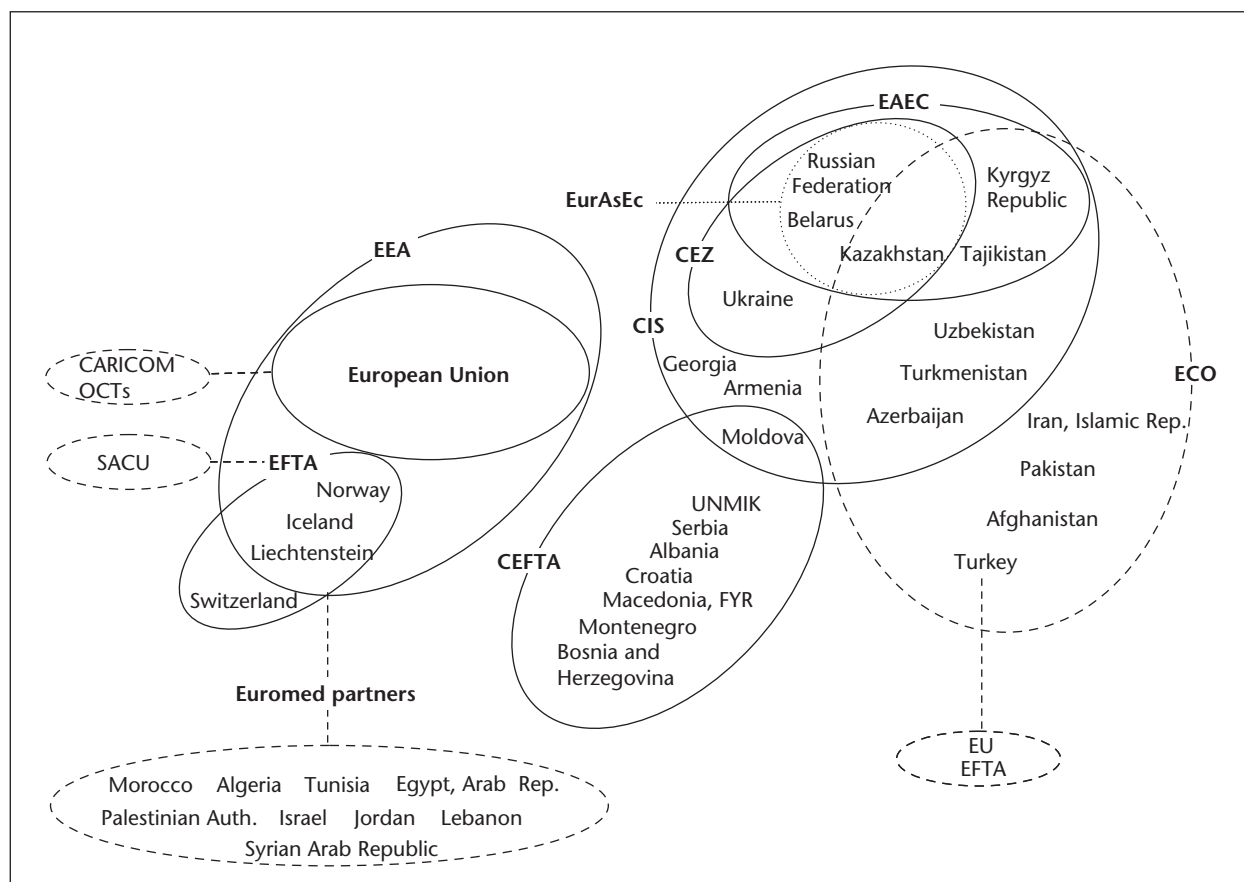
The situation with regard to trade in services is somewhat different. Most countries in Africa and the Middle East have not yet notified PTAs involving trade in services. Interestingly, Chile, Mexico, Singapore, and the United States are engaged in more PTAs involving services than are the EU and the EFTA states.

This section examines the PTAs in force and under negotiation in each of five geographic regions. Figures 2.15–2.18 show the networks of plurilateral groupings in Europe and Central Asia; the Americas and the Caribbean; South Asia, East Asia, and the Pacific; the Middle East and North Africa; and Sub-Saharan Africa. What is immediately clear from these diagrams is the degree of overlapping plurilateral PTAs, particularly in Central Asia and Africa, but also increasingly in the Americas and Asia. For ease of reference, bilateral relationships are not shown but are discussed in the text. Even when only plurilateral relationships are shown, the complexity of trade relations faced by a number of countries is clearly evident. This complexity manifests itself in the resources necessary to administer and implement the PTA; the burden placed on customs officials charged with applying differing tariff schedules depending on the good and its origin; and the dilemma facing exporters who supply their goods in different markets and are confronted with different regulatory regimes such as rules of origin and product standards, according to the destination of the good.

Europe and Central Asia

On the European continent, the largest network of PTAs revolves around the European Union. The EU itself, by virtue of successive enlargements (most recently, from 25 to 27 in 2007), has been part of a changing network of PTAs in the region.¹⁴ In addition to its own enlargements, its longest-standing relations in the region are with the EFTA states (Iceland, Liechtenstein, Norway, and Switzerland), beginning with PTAs in goods in the early 1970s and in services in 1994, and with Turkey, with which it has had a customs union since January 1996. The EFTA states and Turkey, by virtue of their association with the EU, have continued to expand their own PTA networks both within and outside the region.

Since enlarging to 27 member states, the EU has continued to expand its relationship with southeastern Europe and with countries in the Mediterranean Basin. In southeastern Europe, the EU has PTAs in force with Albania, Bosnia and Herzegovina, Croatia, the former Yugoslav Republic of Macedonia, and Montenegro. All these, together with Serbia, the United Nations Interim Administration Mission in Kosovo (UNMIK), and Moldova, are also members of the Central European Free Trade Agreement (CEFTA), which entered into force on May 1, 2007. With the inauguration of that agreement, a number of bilateral agreements between CEFTA's members were terminated.¹⁵ The EU launched negotiations with Ukraine in February 2008.

Figure 2.15. Network of Plurilateral Groupings in Europe and Central Asia

Source: WTO Secretariat.

Note: CARICOM, Caribbean Community; CEFTA, Central European Free Trade Agreement; CEZ, Common Economic Zone; CIS, Commonwealth of Independent States; EAEC, Eurasian Economic Community; ECO, Economic Cooperation Organization; EEA, European Economic Area; EFTA, European Free Trade Association; EU, European Union; OCTs, Overseas Countries and Territories; SACU, Southern African Customs Union; UNMIK, United Nations Interim Administration Mission in Kosovo.

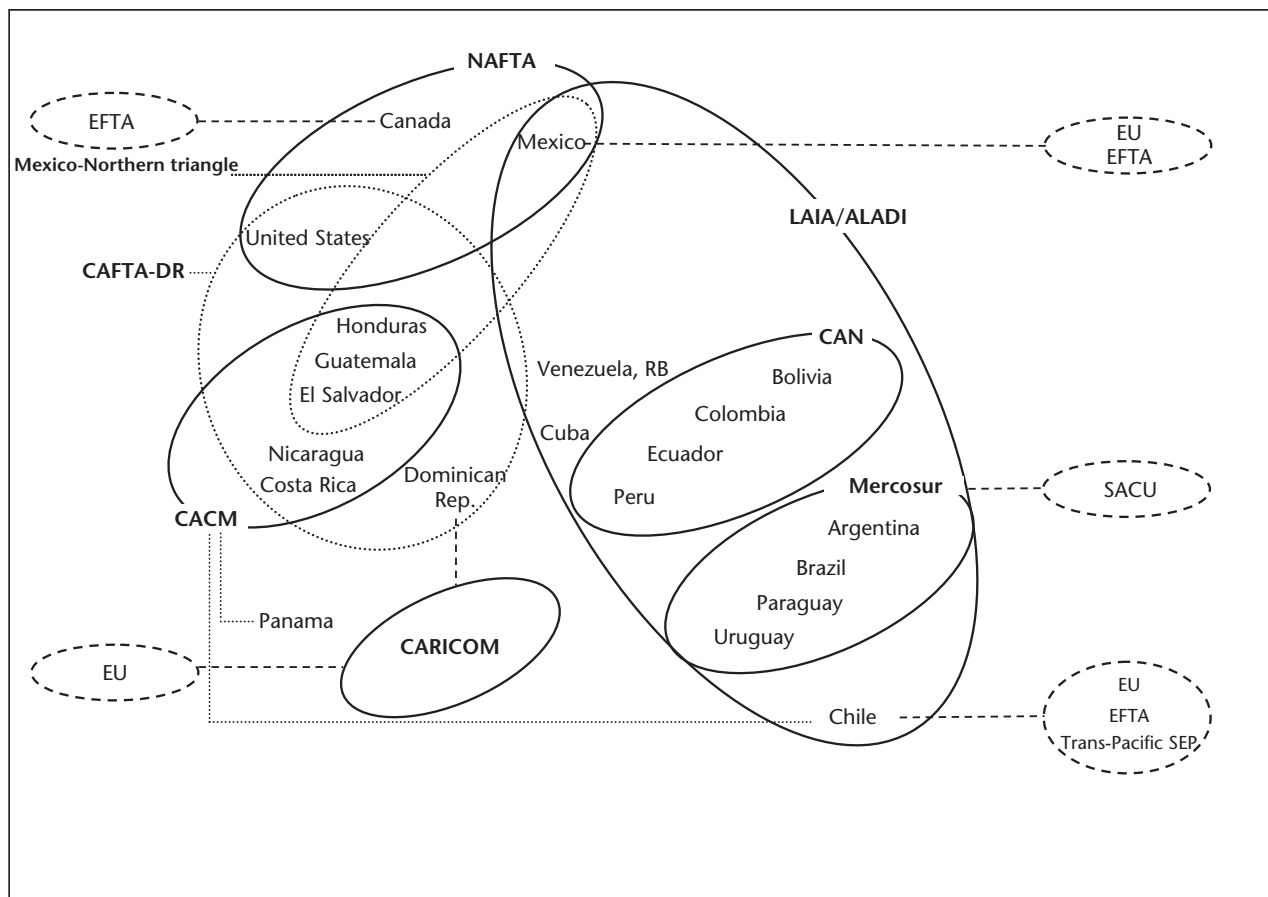
Progress is being made toward the formation of a European Union–Mediterranean PTA, which was expected to be completed by 2010 but is not yet complete with respect to geographic coverage or scope. The EU has signed Euromed association agreements with all its Mediterranean partners. The most recent, with the Syrian Arab Republic, was expected to be completed in 2010 but is not yet in force.¹⁶ Efforts are also under way to deepen agreements with the Arab Republic of Egypt, Israel, Lebanon, the Palestinian Authority, and Syria, through the addition of services chapters, and to enhance agricultural liberalization commitments in a number of the agreements. The EFTA states and Turkey, through their agreements with the EU, are following suit. EFTA has thus far notified agreements (in goods) to the WTO with all the Mediterranean partners except Algeria and Syria. Turkey has notified agreements in goods with Egypt, Israel, Morocco, the Palestinian

Authority, Syria, and Tunisia, and it is currently negotiating agreements with Algeria, Jordan, and Lebanon. Once the PTA is completed, it will permit diagonal cumulation of origin across all the parties (the EU, EFTA, Turkey, and the Mediterranean partners) and the Faroe Islands.

Farther afield, the EU has increased its interest in PTAs in recent years. In the Americas, negotiations on an agreement with Canada, to include goods and services, were launched in May 2009, and negotiations have been ongoing with Central American countries. In early March 2010, the EU announced that it had concluded a PTA covering goods and services with Colombia and Peru. Negotiations with Mercosur, stalled since 2004, have recently restarted and may be concluded in 2010. Negotiations with Ecuador were suspended in July 2009.

In Asia, the EU's PTA with Korea was initiated in October 2009. Negotiations with ASEAN, which began in

Figure 2.16. Network of Plurilateral Groupings in the Americas and the Caribbean



Source: WTO Secretariat.

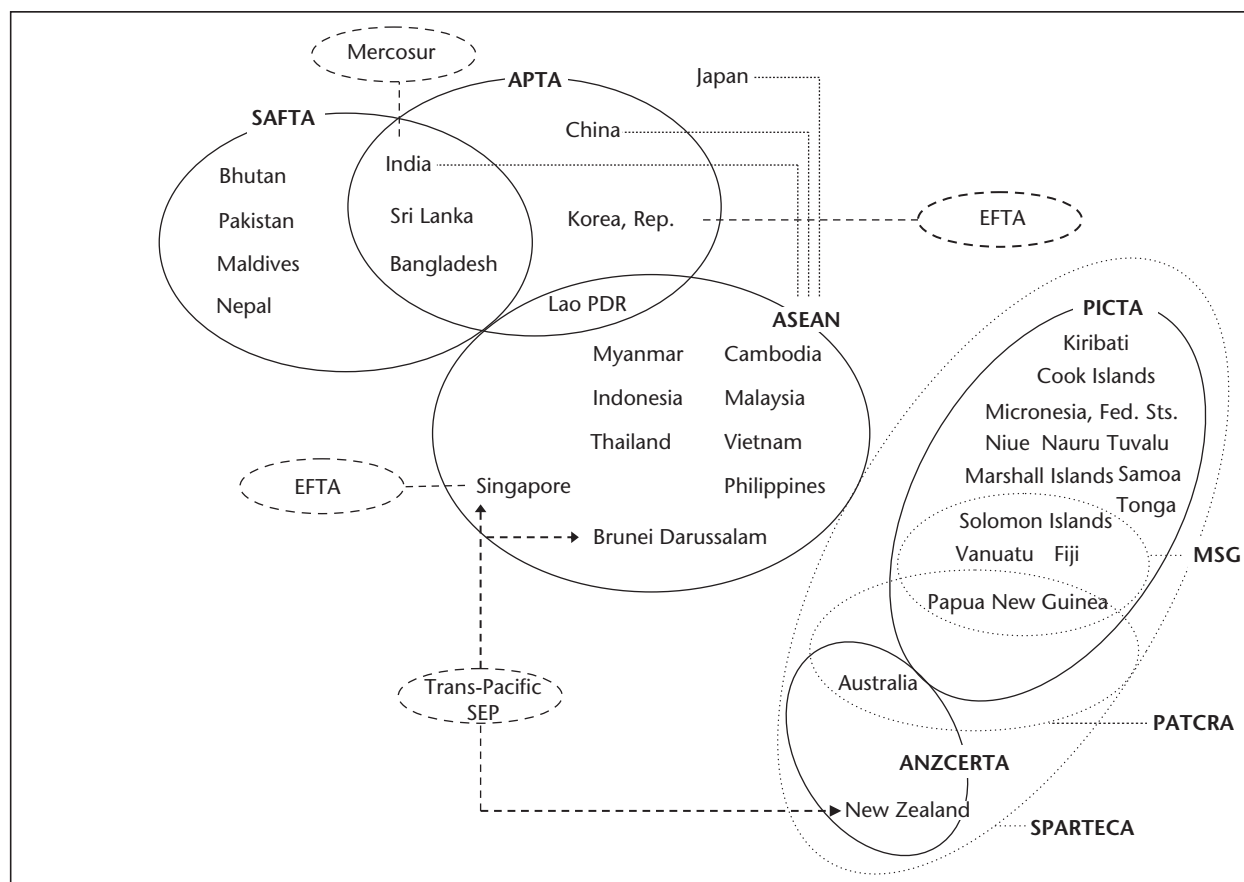
Note: CACM, Central American Common Market; CAFTA-DR, Dominican Republic–Central America Free Trade Agreement; CAN, Andean Community; CARICOM, Caribbean Community; EFTA, European Free Trade Association; EU, European Union; LAIA/ALADI, Latin American Integration Association/ (Asociación Latinoamericana de Integración); Mercosur, Southern Cone Common Market (Mercado Común del Sur); NAFTA, North American Free Trade Agreement; SACU, Southern African Customs Union; Trans-Pacific SEP, Trans-Pacific Strategic Economic Partnership.

July 2007, are currently on hold while the EU pursues bilateral negotiations with each of the ASEAN member states, beginning with Singapore and Vietnam. Negotiations with India were launched in June 2007 and are currently in progress.

Following the expiration of the WTO waiver for the 2000 Cotonou trade preferences for the African, Caribbean, and Pacific (ACP) states, the EU has pursued negotiations for economic partnership agreements (EPAs) with these countries. On December 20, 2007, the EU adopted a market access regulation to grant duty-free and quota-free access to ACP countries that had concluded negotiations on agreements establishing or leading to the establishment of EPAs as of January 1, 2008, for all products except rice and sugar; the latter two products are expected to become duty-free in 2010 and 2015, respectively. Countries that have neither initiated an agreement nor have access to the EU's Everything

But Arms (EBA) scheme would be able to export to the EU under the GSP. The EU is conducting EPA negotiations with seven groups of countries: the Economic Community of West African States (ECOWAS), plus Mauritania; the Economic and Monetary Community of Central Africa (CEMAC, Communauté Économique et Monétaire de l'Afrique Centrale), plus São Tomé and Príncipe and the Democratic Republic of Congo; Eastern and Southern Africa (ESA); the East African Community (EAC); the Southern African Development Community (SADC); CARIFORUM (CARICOM and the Dominican Republic); and 14 Pacific countries. Agreements between the EU and the CARIFORUM states, Cameroon, and Côte d'Ivoire are already in force. Only the agreement between the EU and the CARIFORUM states includes services.

The EFTA states have also been very active in PTA negotiations in recent years, having notified 14 agreements in

Figure 2.17. Network of Plurilateral Groupings in South Asia, East Asia, and the Pacific

Source: WTO Secretariat.

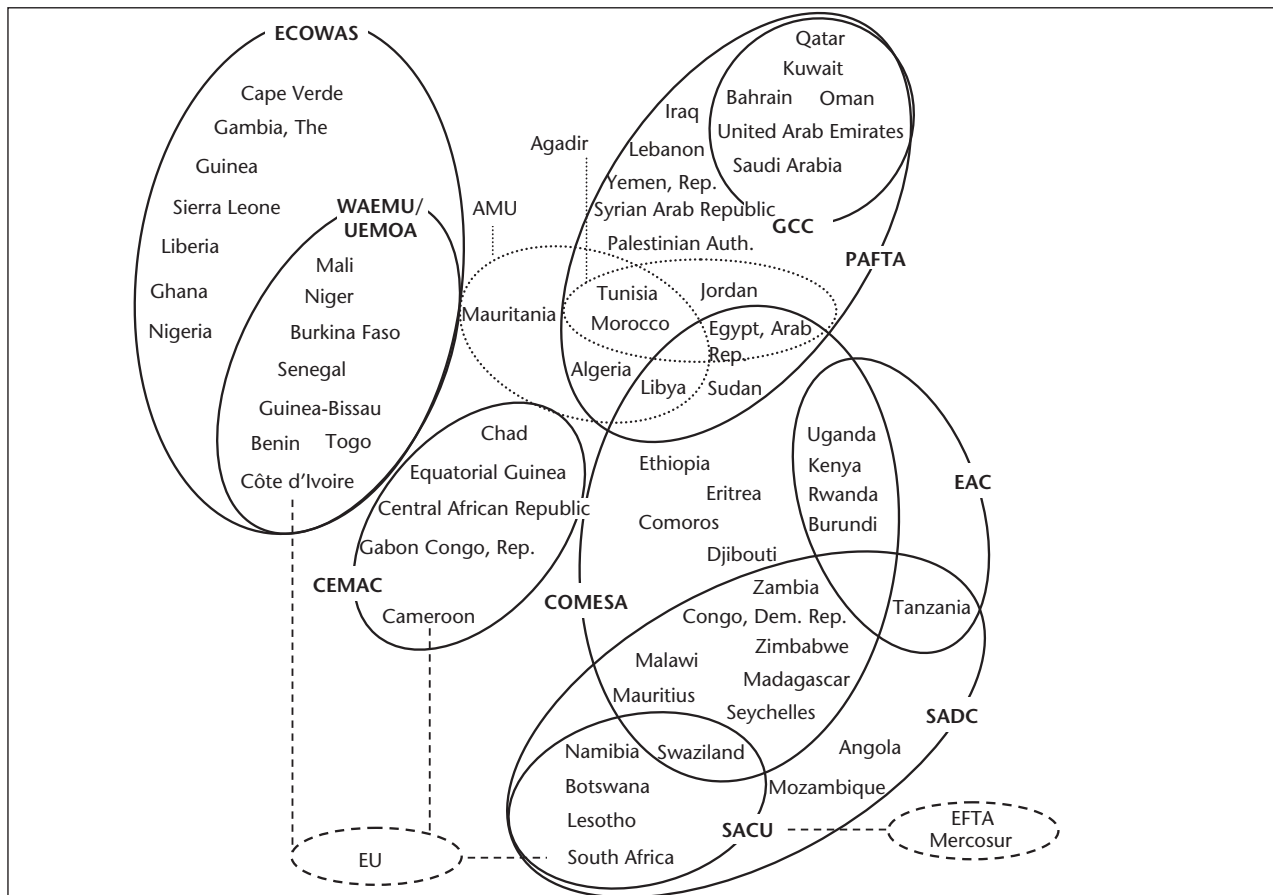
Note: ANZCERTA, Australia–New Zealand Closer Economic Relations Trade Agreement; EFTA, European Free Trade Association; APTA, Asia-Pacific Trade Agreement; ASEAN, Association of Southeast Asian Nations; Mercosur, Southern Cone Common Market (Mercado Común del Sur); MSG, Melanesian Spearhead Group; PATCRA, Papua New Guinea–Australia Trade and Commercial Relations Agreement; PICTA, Pacific Island Countries Trade Agreement; SAFTA, South Asian Free Trade Arrangement; SPARTECA, South Pacific Regional Trade and Economic Cooperation Agreement; Trans-Pacific SEP, Trans-Pacific Strategic Economic Partnership.

goods and 5 in goods and services to the WTO. In addition, EFTA has signed agreements with Albania, Colombia, and Serbia. It is involved in negotiations with Algeria; Hong Kong SAR, China; India; Peru; Thailand; and Ukraine and is considering launching negotiations with Indonesia, Malaysia, Russia, and Vietnam. An interesting development was the decision by Switzerland to break ranks and separately negotiate PTAs with Japan and China; the former entered into force on September 1, 2009, and the latter is currently being negotiated. The other EFTA members have also launched separate negotiations with China.

In Central Asia, trade relations are still very much defined by historical linkages between the successor states to the former Soviet Union and with the bordering countries. The PTA set up by the CIS was negotiated in an attempt to maintain these links, but it has not been very

successful, in that it has not been implemented by all the parties. Preferential trade liberalization in the region has therefore developed through a complex network of overlapping bilateral PTAs and plurilateral initiatives between the states of the region. For instance, Ukraine has notified PTAs with Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, the Kyrgyz Republic, FYR Macedonia, Moldova, Russia, Tajikistan, Turkmenistan, and Uzbekistan.¹⁷

In addition to the CIS PTA, other plurilateral agreements between the same parties include the Common Economic Zone (CEZ) between Belarus, Kazakhstan, Russia, and Ukraine and the Eurasian Economic Community (EAEC), made up of three CEZ parties (Belarus, Kazakhstan, and Russia), plus the Kyrgyz Republic and Tajikistan. In addition, Belarus, Kazakhstan, and Russia have formed the EurAsEc Customs Union, which entered into

Figure 2.18. Network of Plurilateral Groupings in Africa and the Middle East

Source: WTO Secretariat.

Note: AMU, Arab Maghreb Union; CEMAC, Economic and Monetary Community of Central Africa (Communauté Économique et Monétaire de l'Afrique Centrale); COMESA, Common Market for Eastern and Southern Africa; EAC, East African Community; ECOWAS, Economic Community of West African States; EFTA, European Free Trade Association; EU, European Union; GCC, Gulf Cooperation Council; Mercosur, Southern Cone Common Market; PAFTA, Pan-Arab Free Trade Area; SACU, Southern African Customs Union; SADC, Southern African Development Community; WAEMU/UEMOA, West African Economic and Monetary Union/Union Économique et Monétaire Ouest-Africaine.

force in January 2010 and will be implemented over a five-year transition period. There is also an overlap between the EAEC, the CEZ, and the CIS, as some parties to these agreements are also members of the Economic Cooperation Organization (ECO), which consists of Afghanistan, Azerbaijan, the Islamic Republic of Iran, Kazakhstan, the Kyrgyz Republic, Pakistan, Tajikistan, Turkmenistan, Turkey, and Uzbekistan.

The Americas and the Caribbean

The Americas and the Caribbean continue to be actively involved in PTAs. In addition to NAFTA, the United States has agreements with numerous countries, including Chile and the Central America Free Trade Agreement plus the Dominican Republic (CAFTA-DR) in its own hemisphere;

Bahrain, Israel, Jordan, Morocco, and Oman in the Middle East and North Africa (MENA) region; and Australia and Singapore in the East Asia and the Pacific region. Agreements with Colombia, Korea, Panama, and SACU have been signed but have not yet entered into force pending congressional approval. Negotiations appear to be in progress with Malaysia, Thailand, and the United Arab Emirates, and an enlargement of the Trans-Pacific Strategic Economic Partnership (SEP) between Brunei Darussalam, Chile, New Zealand, and Singapore to include the United States has been proposed.

Canada has been less involved for a number of years but has recently stepped up its participation in PTAs. Agreements with EFTA and with Peru have been notified and entered into force in 2009. Agreements with Colombia and Jordan have been signed but have yet to enter into force,

and negotiations with Panama were concluded in August 2009. Canada is also currently involved in negotiations with CARICOM, the Dominican Republic, four Central America countries, Singapore, Korea, and the EU, while PTAs have been proposed with India, Mercosur, Morocco, and Ukraine.

Mexico continues to expand its already substantial network of PTAs.¹⁸ In addition to countries within the hemisphere, it has PTAs with EFTA, the EU, Israel, and Japan. Further expansion of its PTA network is planned, with negotiations in progress with Korea and Singapore. The Central and South American regions maintain complex intraregional and extraregional relations. Within the region, there are four customs unions at various stages of completion: CACM in Central America, CARICOM in the Caribbean, and the Andean Community (CAN) and Mercosur in South America. In addition, a large number of bilateral agreements, representing varying degrees of integration, have been negotiated within the Latin American Integration Framework (LAIA; in Spanish, ALADI, Asociación Latinoamericana de Integración). CACM members have also concluded PTAs with other countries in the region. Chile has bilateral protocols in force with all the members of the CACM except Guatemala and Nicaragua, where negotiations are still going on. Panama's individual bilateral protocols with CACM members are in force, and the country also has agreements in force with Chile, Colombia, the Dominican Republic, Mexico, Singapore, and Taiwan, China.¹⁹ Agreements with Canada and the United States have been signed but have yet to enter into force, and Panama is considering negotiations with Mercosur. In the Caribbean, CARICOM, in addition to its PTAs with Colombia, Costa Rica, Cuba, the Dominican Republic, and the República Bolivariana de Venezuela, is negotiating with Canada and is considering an agreement with Mercosur. CARICOM members together with the Dominican Republic are parties to the EU-CARIFORUM EPA, which became effective at the end of November 2008.

In South America, two of the main regional blocs, Mercosur and the Andean Community, are pursuing a PTA. Individual Andean Community members are also negotiating PTAs, both within and outside the region. As of 2009, Peru had PTAs in force with Canada, Singapore, and the United States, and its agreement with China entered into force on March 1, 2010. It also has agreements under the LAIA/ALADI framework with Chile, Cuba, Mercosur, and Mexico and is currently negotiating with EFTA, Japan, Korea, and Thailand. Colombia, in addition to having agreements in force with CARICOM, Chile, Costa Rica, El Salvador, Guatemala, and Panama, has signed agreements with Canada, EFTA, and the United States and is currently

negotiating with Korea. Both Colombia and Peru have recently completed PTA negotiations with the EU.²⁰ Ecuador currently has agreements in force with Chile, Cuba, and Mercosur within the LAIA/ALADI framework.

Mercosur has signed several framework agreements aimed at establishing of PTAs but has only one partial-scope agreement in force, that with India, in addition to agreements under the LAIA/ALADI framework.²¹ The group is currently negotiating agreements with Canada, the EU, and Turkey.

Chile has for several years been among the most active participants in PTA negotiations, and its agreements span all the continents. It has agreements in force with Australia, Canada, China, Colombia, Costa Rica, El Salvador, EFTA, the EU, Honduras, Japan, Korea, Mexico, Panama, Trans-Pacific SEP members (Brunei Darussalam, New Zealand, and Singapore), and the United States. It also has a partial-scope agreement in force with India and several agreements under the LAIA/ALADI framework.²² In addition to these, it has signed an agreement with Guatemala in the context of its agreement with Central American countries and has extended the agreement with China to include services. Negotiations are ongoing with Malaysia, Nicaragua (under the Central American agreement), Thailand, Turkey, and Vietnam.

South Asia, East Asia, and the Pacific

After several years of resistance to signing PTAs, the Asia and the Pacific region has been playing catch-up and has become one of the most active regions in PTA negotiations, both among countries in the region and with extraregional partners. East Asia has been particularly active, with Japan and China taking the lead. Japan alone has 11 agreements in force, 8 of which have taken effect since 2007. Most of these agreements are with ASEAN and its members (Brunei Darussalam, Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Vietnam), but agreements are also in force with Chile, Mexico, and Switzerland. An agreement with Peru entered into force on March 1, 2010, and Japan is negotiating with Australia, the GCC, India, and Korea. China currently has nine agreements in force: with ASEAN; with the Asia-Pacific Trade Agreement (APTA), which includes Bangladesh, India, Korea, the Lao People's Democratic Republic, and Sri Lanka; and with Chile; Hong Kong SAR, China; Macao, China; New Zealand; Pakistan; Peru; and Singapore. Negotiations with Australia, Costa Rica, the GCC, Iceland, Norway, and Switzerland are in progress. Korea, in addition to being a party to APTA, has agreements with ASEAN, Chile, EFTA, and Singapore, has signed agreements with the United States

and the EU, and has launched PTA negotiations with a number of parties, including Australia, Canada, Colombia, the GCC, India, Japan, Mexico, New Zealand, and Peru. Taiwan, China, is expanding its network of PTAs, having notified agreements with Nicaragua and Panama to the WTO in 2009; agreements are in force with Guatemala and with Honduras–El Salvador. An agreement with the Dominican Republic is currently being negotiated, and discussions on a PTA with China began recently.

In Southeast Asia, the major trading bloc, ASEAN, is working toward the creation of an East Asian Economic Community by 2015. When fully implemented, this scheme is expected to form a single market in goods, services, and investment. ASEAN members are also negotiating PTAs with other parties, both as individual members and as a group. ASEAN itself has agreements in force with China, India, Japan, and Korea and with Australia and New Zealand. It is currently negotiating with the EU. Individually, Singapore has led the way, with 11 PTAs in force (with Australia, China, EFTA, Japan, Jordan, Korea, India, New Zealand, Panama, the Trans-Pacific SEP, and the United States), and it is negotiating another 7 (with Canada, Costa Rica, the EU, the GCC, Mexico, Pakistan, and Ukraine). Other active ASEAN members are Thailand, which has four agreements in force and five under negotiation, and Malaysia, with two in force and another six under negotiation.²³

PTAs in South Asia have largely been confined to agreements among neighboring countries, although this is changing rapidly. India and Pakistan have both expanded their negotiations to countries outside the immediate region. In addition to agreements within the region, such as the South Asian Free Trade Area (SAPTA, which includes Bangladesh, Bhutan, Maldives, Nepal, Pakistan, and Sri Lanka) and PTAs with Afghanistan, Bhutan, Nepal, Pakistan, and Sri Lanka, India has PTAs with APTA, Singapore, and, more recently, ASEAN. It also has partial-scope agreements with Chile and Mercosur and is currently in negotiations with EFTA, the EU, the GCC, Japan, Korea, Mauritius, Thailand, and the Bay of Bengal Initiative for Multi-Sectoral and Economic Cooperation (BIMSTEC). Pakistan, in addition to being a party to SAPTA, the Protocol relating to Trade Negotiations among Developing Countries (PTN), and ECO, has notified agreements with China, Malaysia, and Sri Lanka to the WTO; PTAs with Mauritius and the Islamic Republic of Iran are also in force. Pakistan is negotiating agreements with the GCC and Singapore and is in negotiations to expand the ECO.

In the Pacific region, Australia and New Zealand, in addition to their long-standing Closer Economic Relations Agreement (ANZCERTA), in effect since 1983, have

developed a significant list of preferential partners. Australia currently has PTAs with Chile, Singapore, Thailand, and the United States; a trilateral agreement with ASEAN and New Zealand has recently entered into force. Negotiations are being held with China, the GCC, Japan, Korea, and Malaysia, and entry into the Trans-Pacific SEP is being discussed. New Zealand's PTAs are with Australia, China, Singapore, and Thailand, and it is a party to the Trans-Pacific SEP. It has signed an agreement with Malaysia and has concluded agreements with the GCC countries and with Hong Kong SAR, China. Negotiations are ongoing with India and Korea. Australia and New Zealand are renegotiating their nonreciprocal agreement, the South Pacific Regional Trade and Economic Cooperation Agreement (SPARTECA), with the Pacific Island countries, with the aim of replacing it with a reciprocal PTA (PACER Plus). In the meantime, the Pacific Island Countries Trade Agreement (PICTA), which was notified to the WTO in August 2008, is being implemented by most of the parties. The PICTA countries are negotiating an EPA with the EU, but to date, only Fiji and Papua New Guinea have initialed interim EPAs.

The Middle East and North Africa

In the Middle East and North Africa, the key plurilateral agreements are the Agadir Agreement between Egypt, Jordan, Morocco, and Tunisia, in force since 2007; the Gulf Cooperation Council customs union, in force since 2003; and the Pan-Arab Free Trade Agreement (PAFTA), which has been in force since January 1, 1998, and includes members of the GCC and the Agadir Agreement, as well as other countries in the region. The Arab Maghreb Union (AMU) includes Agadir parties Tunisia and Morocco, as well as Algeria, Libya, and Mauritania. In addition, a crisscrossing network of bilateral agreements exists. For instance, Jordan has agreements with Bahrain, Egypt, Israel, Morocco, the Palestinian Authority, Sudan, Syria, Tunisia, and the United Arab Emirates and is negotiating with the GCC. Tunisia has agreements with Egypt, Iraq, Jordan, Libya, and Morocco. Egypt has agreements with Iraq, Jordan, Lebanon, Libya, Morocco, the Palestinian Authority, Syria, and Tunisia and has proposed negotiations with India.

Links with countries outside the region are also expanding. Several countries are part of the Euromed process of agreements with the EFTA and EU. The United States has agreements with Bahrain, Israel, Jordan, Morocco, and Oman, and is currently negotiating with the United Arab Emirates. The GCC as a group is also negotiating with a large number of partners across the world; an agreement with Lebanon is in force, and agreements have been signed

with EFTA, Singapore, and Syria. The GCC's extensive negotiating agenda includes Australia, China, the EU, India, the Islamic Republic of Iran, Japan, Jordan, Korea, Mercosur, New Zealand, Pakistan, and Turkey.

Sub-Saharan Africa

Regional integration in Sub-Saharan Africa has, for the most part, taken the form of PTAs among geographically contiguous countries. SACU, the world's oldest customs union, is engaged in negotiating PTAs and recently notified an agreement with EFTA. Other efforts at creating intraregional and extraregional partnerships have fallen short of their ambitious statements of intent. In several cases, membership of regional groupings is defined by political alliances rather than market access goals, resulting in overlapping memberships that create difficulties in implementation.²⁴ Negotiations for an economic partnership agreement with the EU, although intended to strengthen regional integration, have created further confusion in eastern and southern Africa because memberships of the EPA groups and the regional agreements are different.²⁵ With regard to the current state of play of the EPA negotiations, in June 2009, an interim EPA was signed between the EU and Botswana, Lesotho, and Swaziland (part of the SADC EPA); Mozambique joined soon afterward. An interim EPA was initialed (but not yet signed) between the EU and the Seychelles, Zambia, and Zimbabwe in November 2007 and with the Comoros, Madagascar, and Mauritius in December 2007 for the Eastern and Southern Africa (ESA) EPA. An interim agreement was initialed between the EU and Uganda in November 2007 for the East African Community (EAC) EPA.

In West Africa, the main regional groups are the West African Economic and Monetary Union (WAEMU; in French, Union Économique et Monétaire Ouest-Africaine, UEMOA), ECOWAS, and CEMAC, all three of which are customs unions in force or in the making. The eight WAEMU members are all members of ECOWAS. The EU is negotiating EPAs with ECOWAS and CEMAC. With regard to the ECOWAS EPA, only Côte d'Ivoire and Ghana have initialed the interim agreement, in December 2007; the EU and Côte d'Ivoire notified the interim EPA in goods to the WTO in December 2008. In the case of the CEMAC EPA, the EU notified the WTO of the provisional application of the interim agreement in goods with Cameroon in October 2009.

Impact of PTAs on Trade

This next-to-last section examines the extent to which PTAs have contributed to the expansion of trade among

PTA members and with the rest of the world. Several factors can contribute to the success or the failure of a PTA in stimulating trade flows. Coverage and the degree of liberalization are of crucial importance; clearly, agreements that cover substantially all trade, including agricultural products and services, and those that incorporate significant tariff and quota reductions are more likely to lead to higher trade flows among their members. If the barriers to trade with the rest of the world are kept low, as well, the risk of trade diversion is minimized, and trade with third parties is likely to be created as a result of the PTA.

The proliferation of PTAs that leads to overlapping agreements with varying rules of origin and diverse tariff schedules may complicate integration into global value chains and prove detrimental to trade. Hence, a successful PTA is likely to be associated with nonrestrictive rules of origin. In addition, trade facilitation measures, because of their effect on the costs of trade, are important to a successful PTA. Finally, the comprehensiveness of the PTA is of importance. The inclusion of behind-the-border regulatory measures that foster increased cross-border competition, including competition in services, and that establish rules governing investment and IPRs suitable to the partners' level of development contributes to the success of the PTA. Finally, even the best-designed agreements, if not implemented in full, will not bear the expected fruits. Often, the most effective PTAs have been those designed to complement a general program of economic reform.

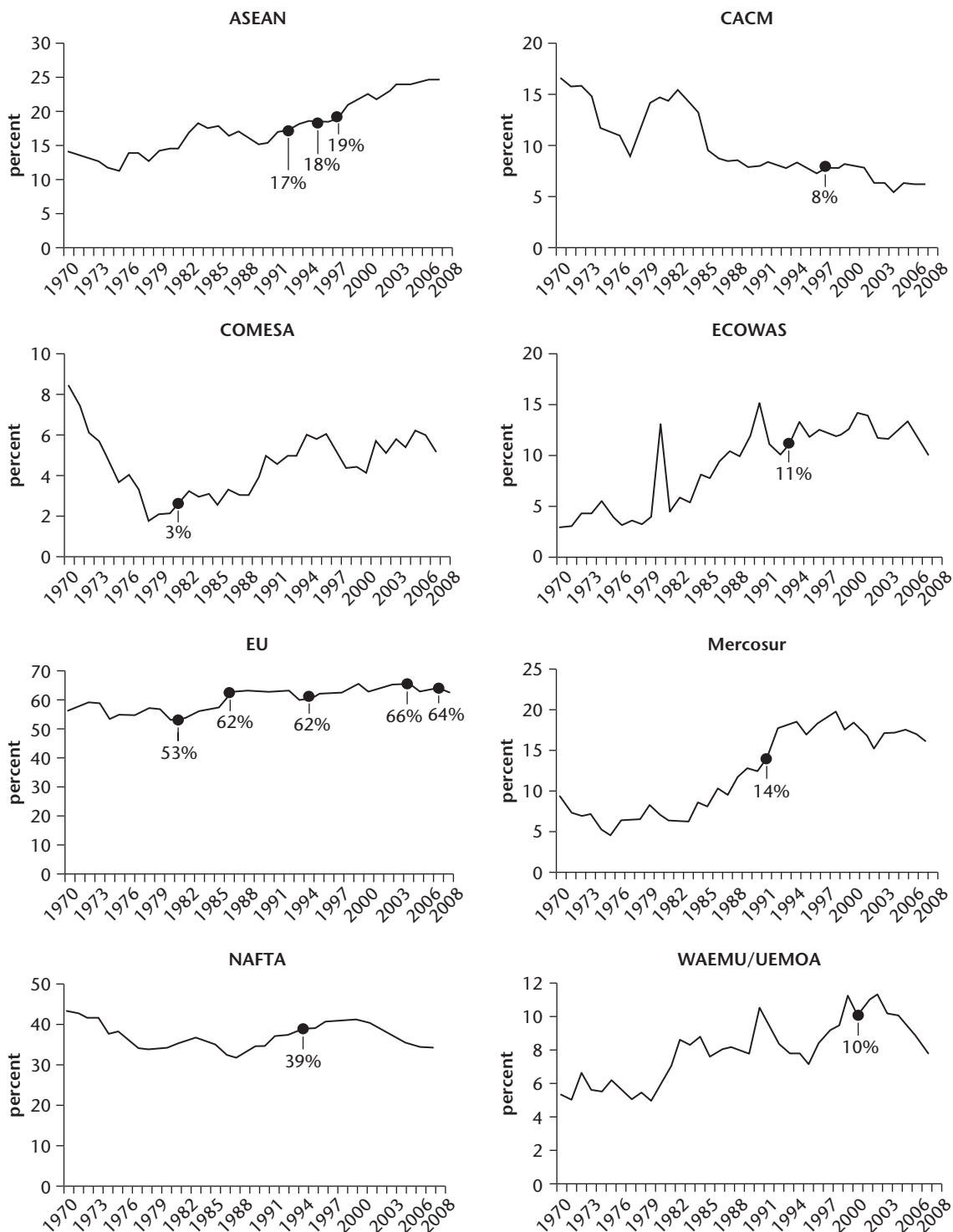
This section surveys trade flows for a selection of major plurilateral PTAs; both intra-PTA and extra-PTA trade flows are included. Trade between members of the selected PTAs is equivalent to roughly 40 percent of world trade. A gravity model is developed to quantify the importance of these PTAs in stimulating trade among their members and with third countries.

Trade Developments for Selected Plurilateral PTAs

The most intuitive indication of the success of a PTA is the increase in trade among PTA partners as a share of total trade.²⁶ Even when the share of regional trade does not increase, it is possible that the volume of intra-PTA trade will rise if liberalization with respect to third partners leads to expansion of total trade.

As figure 2.19 shows, for most of the PTAs under consideration, intra-PTA imports as a share of total imports increased following the introduction of the PTA. (Extra-PTA trade and possible trade diversion are discussed below.) The most pronounced increases in the shares of intra-PTA imports were observed in the EU, ASEAN, the Andean Community (CAN), SAFTA, and, initially,

Figure 2.19. Evolution of the Share of Intra-PTA Imports in Total Imports, 1970–2008



Source: International Monetary Fund (IMF), Direction of Trade Statistics (DOT).

Note: ASEAN, Association of Southeast Asian Nations; CACM, Central American Common Market; COMESA, Common Market for Eastern and Southern Africa; ECOWAS, Economic Community of West African States; EU, European Union; Mercosur, Southern Cone Common Market (Mercado Común del Sur); NAFTA, North American Free Trade Agreement; WAEMU/UEMOA, West African Economic and Monetary Union/Union Économique et Monétaire Ouest-Africaine. The dot on the plot line in each panel indicates the date of entry into force of the agreement (or enlargements, in the case of the EU).

NAFTA. The share of intra-NAFTA trade began to fall in the early 2000s, largely because increased imports from China replaced Mexican exports on the U.S. market (Batista 2008) and also crowded out domestic production in Mexico. The average share of intra-ASEAN imports in total imports increased from 17 percent in the 1980s to 25 percent in the 2000s; for intra-CAN trade during that period, the average share increased from 5 to 14 percent. The intra-Mercosur share increased substantially, from 9 percent in the 1980s to slightly more than 20 percent in the late 1990s. The rise, however, preceded the creation of the PTA by several years, and so it is uncertain to what extent Mercosur was responsible for increasing trade flows among its members. In many cases, increases in regional trade have been associated with unilateral or multilateral liberalization, as well, and with growing economic relationships with PTA partners.

For several PTAs, the share of intra-PTA imports in total imports has been falling or stagnant. These include EFTA, where the share of intra-PTA imports decreased from 22 percent in the 1980s to 17 percent in the early 2000s, and the CACM, with a drop from 12 to 7 percent over the same period. Several other PTAs, such as ANZCERTA, CEMAC, the GCC, the Papua New Guinea–Australia Trade and Commercial Relations Agreement (PATCRA), and SADC, experienced an increase in intra-PTA trade flows in the 1990s, followed by a decline in the early 2000s. The decrease in intra-PTA trade may be less worrying if the value of total trade is increasing. Figure 2.20 indicates that the share of intraregional trade (imports and exports) in gross domestic product (GDP) has indeed been growing in most of the sampled PTAs since the early 1970s. EFTA was the only PTA in which, on average, the share of intraregional trade in GDP was higher in the 1980s than in the early 2000s.

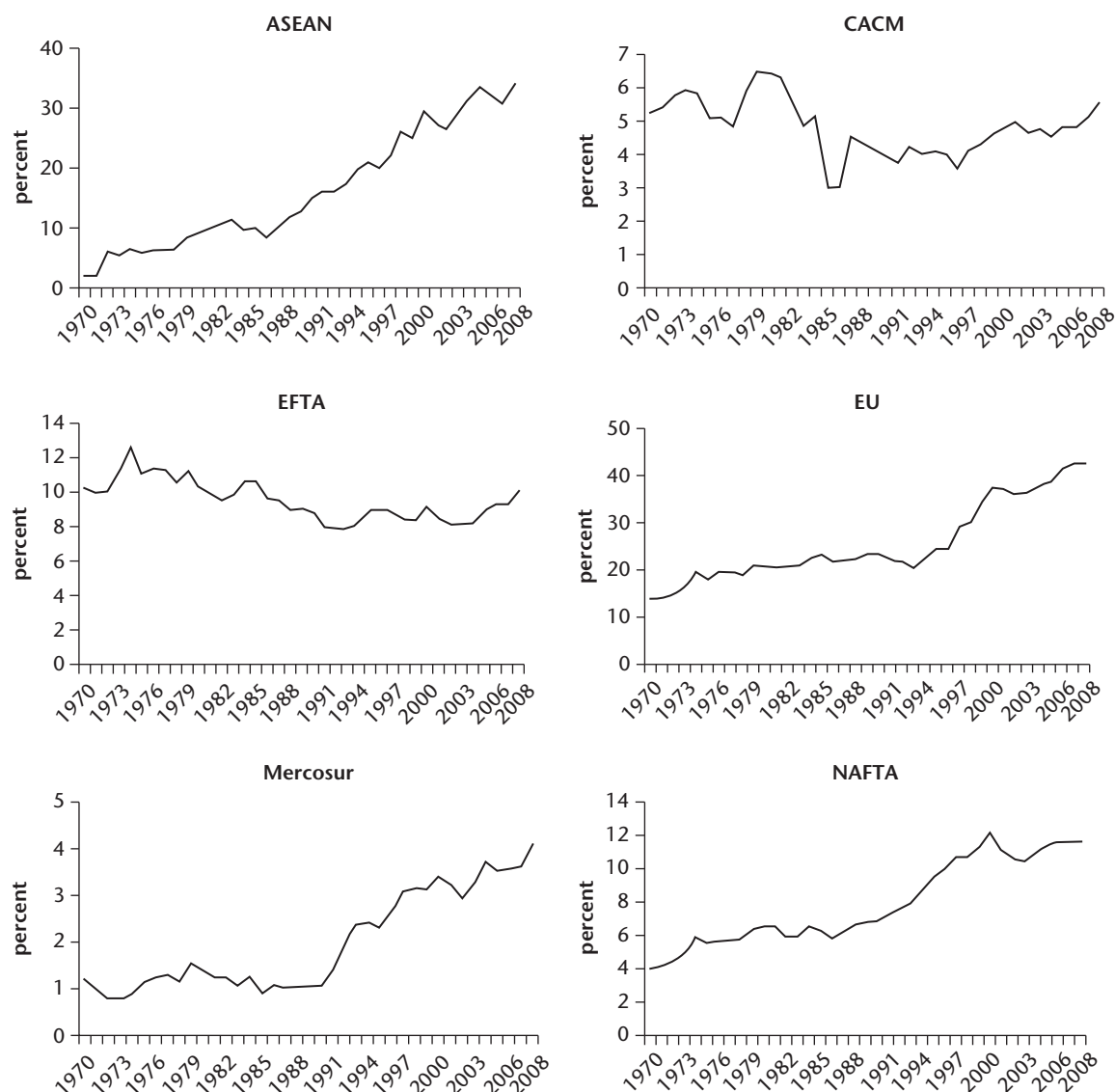
Moreover, for all the PTAs under review, the growth in intra-PTA exports has been associated with growth in total exports (table 2.2). The coefficient of correlation is positive for most PTAs and is quite high for several of them, such as ASEAN, EFTA, the EU, the GCC, and NAFTA. In the case of some African PTAs (Common Market for Eastern and Southern Africa [COMESA], ECOWAS, and WAEMU), the correlation is either negative or low, indicating that these may not have been successful in stimulating extra-PTA exports. These statistics, however, are mainly useful for understanding some basic associations; they do not permit inferences about the direction of causality between growth of intra-PTA trade and exports in general, or the importance of PTAs themselves in stimulating exports. We will return to the importance of intra-PTA trade below, using econometric analysis to establish the relationship between PTA membership and trade flows.

Next, we consider external protection as one of the likely factors determining whether the presence of PTAs might be an obstacle to growth of trade with external partners. Low external tariffs reduce the potential for trade diversion, ensure access to competitively priced inputs, and increase competition in the domestic market. The external protection of all PTAs under consideration has been falling over the past decade (see figure 2.21).²⁷ Several PTAs (EFTA, the EU, the GCC, and NAFTA) have an average MFN tariff of about 5 percent or lower. Most PTAs impose MFN tariffs that are, on average, less than 10 percent; these include ASEAN, CACM, CAN, CEFTA, Mercosur, SACU, and SADC. Preferential agreements with third parties and multilateral liberalization have also led to growth in the proportion of imports entering PTA markets tariff-free (see figure 2.22). The share in total imports of imports subject to zero MFN rates (calculated as an average for all members) has increased since 1995 for all PTAs except ECOWAS and WAEMU. On average, more than half of all imports enter the markets of developed countries at zero MFN tariffs. Several developing-country PTAs (ASEAN, CACM, EAC, SACU, and SADC) also have relatively open trade regimes.

In Latin America and Africa, only a low share of imports enters existing PTAs free of duty (figure 2.22). PTAs for which this is true, including CAN, CEMAC, the GCC, and WAEMU, are likely to perform worse with respect to creation of trade with nonmembers than PTAs that are more open. This result is consistent with the findings of *Global Economic Prospects 2005* (World Bank 2005), in which, on the basis of the gravity model, the authors concluded that several PTAs (CEMAC, CIS, COMESA, EAC, ECOWAS, SADC, and WAEMU) registered lower-than-expected overall exports.

Question of Intra- and Extra-PTA Trade Creation

A simple gravity model of trade could help insulate the effect of PTAs from all the other factors in play in explaining trade developments. Bilateral trade between any two countries depends on their market sizes measured by GDP (the equivalent of mass) and the distance between them. Because of their empirical robustness, gravity models have been extensively used to explain bilateral trade between countries and to estimate the impact of PTAs. Although early applications of gravity models have been criticized for their lack of theoretical foundations, later studies have shown that with special assumptions, a simpler version of the gravity model can be derived from the factor proportions model (Deardorff 1995), from increasing returns to scale and product differentiation

Figure 2.20. Evolution of the Share of Intra-regional Trade in Gross Domestic Product, 1970–2008

Source: International Monetary Fund (IMF), Direction of Trade Statistics (DOT).

Note: ASEAN, Association of Southeast Asian Nations; CACM, Central American Common Market; EFTA, European Free Trade Association; EU, European Union; Mercosur, Southern Cone Common Market (Mercado Común del Sur); NAFTA, North American Free Trade Agreement.

models, or from a combination of both (Shelburne 2000; Evenett and Keller 2002).

Typically, a gravity model equation explains the trade between two partners by using several factors: their income levels; a vector of explanatory variables that depend on the specific country pair but are constant over time (distance among trading partners, dummies for a common land border, a common language, a common colonizer, a current colonial relationship, a past colonial relationship, and an index of religious similarity); a set of time- and country-pair-varying explanatory variables (membership in the same PTA, membership in the same currency union); and

exporter and importer time dummies. In a refinement of the model, Baldwin and Taglioni (2006) suggest that biases from unobserved pairwise characteristics could be significant and proposed the inclusion of pair dummies to reduce the omitted-variables bias. Following this approach, the estimated gravity equation includes country-pair dummies and a time dummy instead of exporter and importer time dummies. It is worth noting that the inclusion of these dummies precludes the use of country-pair-specific variables such as distance between countries, contingency, common language, and colonial relationships.²⁸ The estimated coefficients of PTA dummies are presented in table 2.3.

Table 2.2. Correlation between Intra-PTA and Total Export Growth Rates, 1970–2008

PTA	Correlation coefficient
ANZCERTA	0.76
ASEAN	0.88
CACM	0.30
CAN	0.63
CARICOM	0.30
CEFTA	0.31
CEMAC	0.12
CIS	0.51
COMESA	-0.05
EAC	0.33
ECOWAS	0.03
EFTA	0.96
EU	0.98
Euromed	0.89
GCC	0.91
Mercosur	0.55
NAFTA	0.86
PATCRA	0.48
SADC	0.33
SAFTA	0.33
WAEMU/UEMOA	-0.08

Source: International Monetary Fund (IMF), Direction of Trade Statistics (DOT); authors' calculations.

Note: ANZCERTA, Australia–New Zealand Closer Economic Relations Trade Agreement; ASEAN, Association of Southeast Asian Nations; CACM, Central American Common Market; CAN, Andean Community; CARICOM, Caribbean Community; CEFTA, Central European Free Trade Agreement; CEMAC, Economic and Monetary Community of Central Africa (Communauté Économique et Monétaire de l'Afrique Centrale); CIS, Commonwealth of Independent States; COMESA, Common Market for Eastern and Southern Africa; EAC, East African Community; ECOWAS, Economic Community of West African States; EFTA, European Free Trade Association; EU, European Union; Euromed, European Union–Mediterranean Free Trade Area; GCC, Gulf Cooperation Council; Mercosur, Southern Cone Common Market (Mercado Común del Sur); NAFTA, North American Free Trade Agreement; PATCRA, Papua New Guinea–Australia Trade and Commercial Relations Agreement; SADC, Southern African Development Community; SAFTA, South Asian Preferential (Free) Trade Arrangement; WAEMU/UEMOA, West African Economic and Monetary Union/Union Économique et Monétaire Ouest-Africaine.

Overall, we find that the impact on intra-PTA trade of the PTAs covered in this study is positive. Almost all the PTA members seem to trade more with each other than would otherwise be expected from a typical trading relationship between countries with similar incomes and other characteristics. Our statistical analysis indicates that AFTA, CAN, EAC, ECOWAS, EFTA, EU, GCC, Mercosur, NAFTA, SADC, SAFTA, and WAEMU trade more internally than would be expected in the absence of a PTA.²⁹ The countries that belong to those PTAs seem to have adopted policies more conducive to bilateral trade expansion, but we cannot

Table 2.3. Estimation Results of the Gravity Model of the Average Trade between Two Partners, Selected PTAs

	Intra-PTA trade	Extra-PTA exports	Extra-PTA imports
AFTA	1.556***	0.860***	0.745***
ANZCERTA	0.162	-0.0832**	-0.0191
CACM	-0.324	0.120***	0.314***
CAN	0.588***	0.120***	0.0254
CARICOM	-0.381***	-0.439***	-0.395***
CEFTA	0.0212	-0.110***	-0.0304*
CEMAC	0.364	0.164***	0.295***
CIS	-0.701***	0.208***	0.152***
COMESA	-0.155***	-0.318***	-0.269***
EAC	1.221***	0.0545**	0.137***
ECOWAS	0.514***	0.0484**	0.171***
EFTA	0.503***	0.149***	0.0768***
EU	0.472***	0.108***	0.00367
Euromed	0.124***	0.346***	0.217***
GCC	0.374***	0.413***	0.303***
Mercosur	0.689***	0.741***	0.645***
NAFTA	0.878***	0.192***	0.175***
PATCRA	0.339	0.158***	0.182***
SADC	0.842***	-0.134***	-0.0332
SAFTA	0.466***	0.506***	0.542***
WAEMU/UEMOA	0.465***	0.123***	0.00836

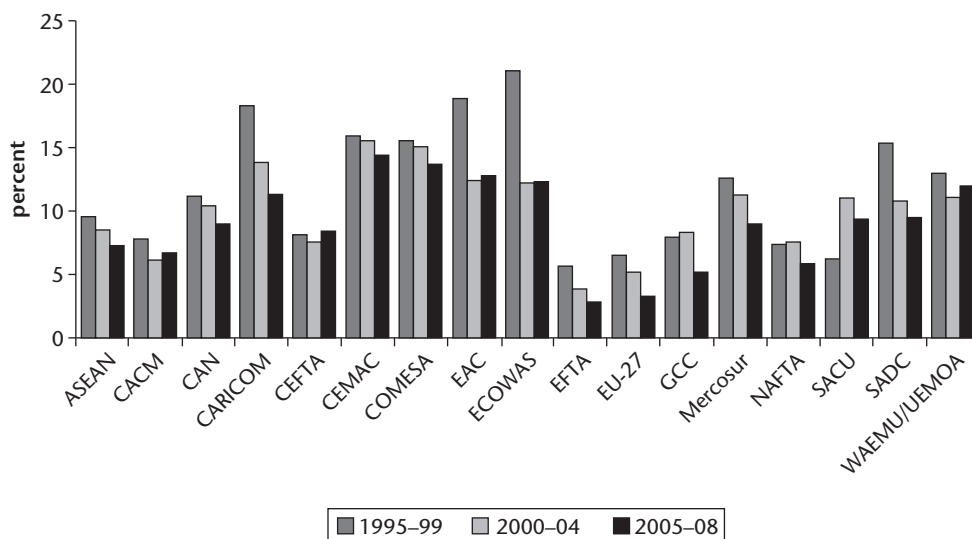
Source: Authors' calculations.

Note: AFTA, ASEAN Free Trade Area; ANZCERTA, Australia–New Zealand Closer Economic Relations Trade Agreement; ASEAN, Association of Southeast Asian Nations; CACM, Central American Common Market; CAN, Andean Community; CARICOM, Caribbean Community; CEFTA, Central European Free Trade Agreement; CEMAC, Economic and Monetary Community of Central Africa (Communauté Économique et Monétaire de l'Afrique Centrale); CIS, Commonwealth of Independent States; COMESA, Common Market for Eastern and Southern Africa; EAC, East African Community; ECOWAS, Economic Community of West African States; EFTA, European Free Trade Association; EU, European Union; Euromed, European Union–Mediterranean Free Trade Area; GCC, Gulf Cooperation Council; Mercosur, Southern Cone Common Market (Mercado Común del Sur); NAFTA, North American Free Trade Agreement; PATCRA, Papua New Guinea–Australia Trade and Commercial Relations Agreement; SADC, Southern African Development Community; SAFTA, South Asian Preferential (Free) Trade Arrangement; WAEMU/UEMOA, West African Economic and Monetary Union/Union Économique et Monétaire Ouest-Africaine.

* $p < 10\%$ ** $p < 5\%$ *** $p < 1\%$.

infer whether it was the PTA alone that led to those policies. Again, AFTA seems to be the most successful, with the highest impact on bilateral trade (see figure 2.23). By contrast, CARICOM, CIS, and COMESA members seem to be trading with each other less than a normal trading relationship would predict. In the case of COMESA, the negative impact is rather small. Intra-COMESA trade is estimated to have been 14 percent smaller than expected under “normal” trading conditions.³⁰ The strong negative impact on CIS bilateral trade can be understood in the light of the dismantling of the Soviet Union and increasing openness to the rest

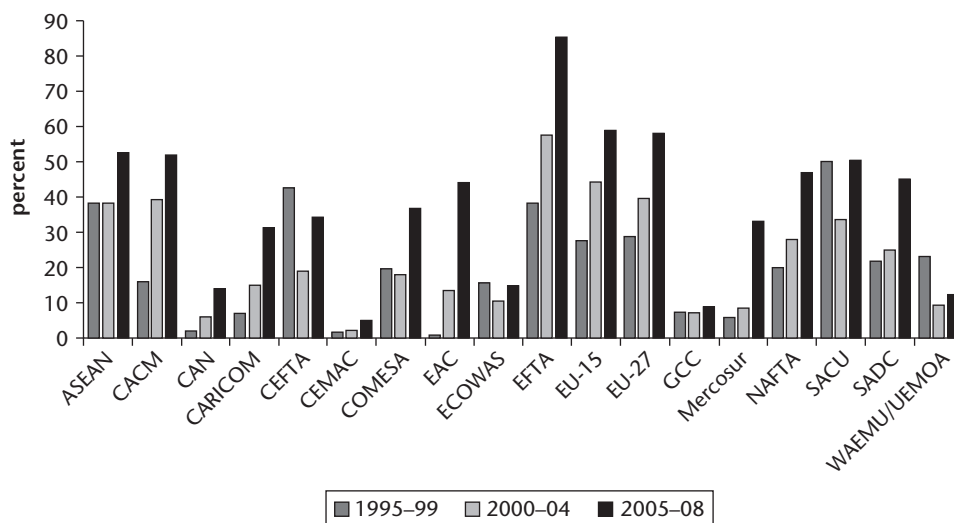
Figure 2.21. Most Favored Nation Applied Tariffs, Trade-Weighted Average of All PTA Members Selected Periods



Source: World Bank, World Trade Indicators database.

Note: ASEAN, Association of Southeast Asian Nations; CACM, Central American Common Market; CAN, Andean Community; CARICOM, Caribbean Community; CEFTA, Central European Free Trade Agreement; CEMAC, Economic and Monetary Community of Central Africa (Communauté Économique et Monétaire de l’Afrique Centrale); COMESA, Common Market for Eastern and Southern Africa; EAC, East African Community; ECOWAS, Economic Community of West African States; EFTA, European Free Trade Association; EU-27, European Union after 2007 (27 members); GCC, Gulf Cooperation Council; Mercosur, Southern Cone Common Market (Mercado Común del Sur); NAFTA, North American Free Trade Agreement; SACU, Southern African Customs Union; SADC, Southern African Development Community; WAEMU/UEMOA, West African Economic and Monetary Union/Union Économique et Monétaire Ouest-Africaine.

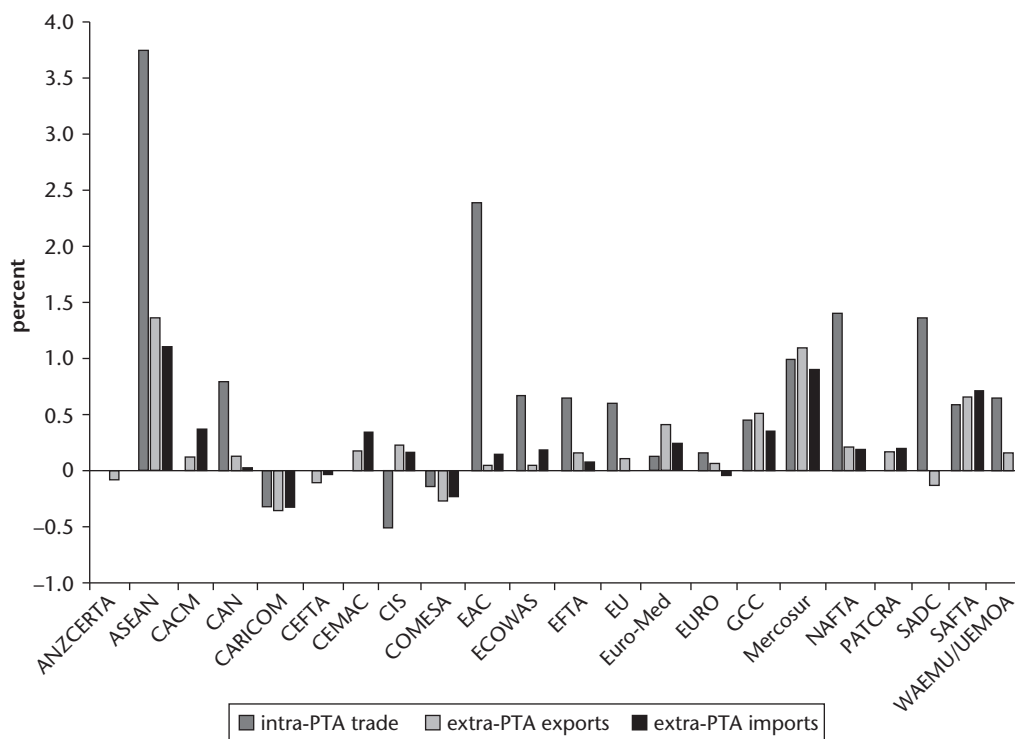
Figure 2.22. Proportion of Tariff-Free Imports as a Share of Total Imports, All Goods, Selected PTAs and Periods



Source: World Bank, World Trade Indicators database.

Note: ASEAN, Association of Southeast Asian Nations; CACM, Central American Common Market; CAN, Andean Community; CARICOM, Caribbean Community; CEFTA, Central European Free Trade Agreement; CEMAC, Economic and Monetary Community of Central Africa (Communauté Économique et Monétaire de l’Afrique Centrale); COMESA, Common Market for Eastern and Southern Africa; EAC, East African Community; ECOWAS, Economic Community of West African States; EFTA, European Free Trade Association; EU-15, European Union before the 2004 enlargement (15 members); EU-27, European Union after 2007 (27 members); GCC, Gulf Cooperation Council; Mercosur, Southern Cone Common Market (Mercado Común del Sur); NAFTA, North American Free Trade Agreement; SACU, Southern African Customs Union; SADC, Southern African Development Community; WAEMU/UEMOA, West African Economic and Monetary Union/Union Économique et Monétaire Ouest-Africaine. Tariffs include ad valorem rates and ad valorem equivalents of specific tariffs.

Figure 2.23. Percentage Changes in Trade from Entry into Force of a Preferential Trade Agreement to 2008, Based on Gravity Model Estimates



Source: Authors' calculations.

Note: ANZCERTA, Australia–New Zealand Closer Economic Relations Trade Agreement; ASEAN, Association of Southeast Asian Nations; CACM, Central American Common Market; CAN, Andean Community; CARICOM, Caribbean Community; CEFTA, Central European Free Trade Agreement; CEMAC, Economic and Monetary Community of Central Africa; CIS, Commonwealth of Independent States; COMESA, Common Market for Eastern and Southern Africa (Communauté Économique et Monétaire de l'Afrique Centrale); EAC, East African Community; ECOWAS, Economic Community of West African States; EFTA, European Free Trade Association; EU, European Union; Euro-Med, European Union–Mediterranean Free Trade Area; GCC, Gulf Cooperation Council; Mercosur, Southern Cone Common Market (Mercado Común del Sur); NAFTA, North American Free Trade Agreement; PATCRA, Papua New Guinea–Australia Trade and Commercial Relations Agreement; SADC, Southern African Development Community; SAFTA, South Asian Preferential (Free) Trade Arrangement; WAEMU/UEMOA, West African Economic and Monetary Union/Union Économique et Monétaire Ouest-Africaine. The bars show the magnitude of the impact of the respective PTAs on intra-PTA trade, calculated on the basis of statistically significant dummy variables from table 2.3.

of the world. Figure 2.23 translates the estimates presented in table 2.3 into the percentage impact on trade following the introduction of the PTA, up to 2008. For example, it is estimated that trade between AFTA members from its founding to 2008 was three times higher than would have been predicted by a typical trading relationship between countries with similar income and other characteristics.

We also analyze the impact of the introduction of PTAs on extra-PTA exports and imports and find that most of the PTAs considered here have been trade creating. The agreements whose members trade more with the rest of the world than would have been expected from a normal trading relationship include AFTA, Mercosur, and SAFTA. Members of CARICOM, CEFTA, COMESA, and SADC, however, are trading less with the rest of the world than our gravity model would have predicted in the absence of PTAs, indicating some degree of

trade diversion.³¹ These results are broadly consistent with the findings of the previous sections and Baldwin and Freund, ch. 6 in this volume indicating that PTAs with higher external barriers are likely to be associated with trade diversion.

Conclusions

Today's multilateral trading system is characterized by a multiplicity of overlapping and intersection preferential trade agreements. The number of PTAs has grown markedly since 2000. PTAs offer members a means of securing enhanced market access and attracting investment, but at the cost of rendering the trading landscape less transparent and more unpredictable. Each PTA tends to create its own web of regulatory rules that coexist alongside multilateral rules.

The PTA landscape shows a number of distinctive features:

- *Ubiquity.* PTAs have spread to most geographic regions, especially East Asia and the Pacific, and North-South preferential partnerships are often chosen over unilateral programs, such as the GSP.
- *Consolidation.* In some cases, bilateral relationships are being replaced by plurilateral PTAs among the same partners.
- *Nature.* Bilateral PTAs are increasingly the norm. This movement corroborates the observation of a shift away from the use of PTAs to forge traditional regional partnerships among geographically proximate countries and toward their employment as instruments for negotiating strategic, bilateral market access, often among countries in different regions. This development risks generating further fragmentation of global trading rules, because each PTA maintains its own distinct regulatory framework.
- *Scope.* The regulatory scope of PTAs is broadening and deepening. Increasingly, PTAs include a services component, as well as commitments that exceed those they have accepted at the multilateral level or that lie outside the current WTO mandate.
- *Impact.* Analysis indicates that for a number of plurilateral PTAs, PTA partners trade more internally than would be expected in the absence of a PTA and the impact on extra-PTA trade is largely positive. Similar calculations to determine the effects of bilateral PTAs would be useful. In addition, the effects of PTAs on stimulating trade in services and investment is an area worthy of future study.

Annex

Annex Table 2A.1. Membership of Selected Plurilateral Preferential Trade Agreements

Abbreviation	Name of PTA	Members
AFTA	ASEAN Free Trade Area	Brunei Darussalam, Cambodia, Indonesia, Lao People's Democratic Republic, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam
ANZCERTA	Australia–New Zealand Closer Economic Relations Trade Agreement	Australia, New Zealand
APTA	Asia-Pacific Trade Agreement (Bangkok Agreement)	Bangladesh, China, India, Republic of Korea, Lao PDR, Sri Lanka
ASEAN	Association of Southeast Asian Nations	Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam
CACM	Central American Common Market	Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua
CAFTA-DR	Central America–Dominican Republic–United States	Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, United States
CAN	Andean Community	Bolivia, Colombia, Ecuador, Peru
CARICOM	Caribbean Community	Antigua and Barbuda, The Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname, Trinidad and Tobago
CEFTA	Central European Free Trade Agreement	Albania, Bosnia and Herzegovina, Croatia, former Yugoslav Republic of Macedonia, Moldova, Montenegro, Serbia, United Nations Interim Administration Mission in Kosovo (UNMIK)
CEMAC	Economic and Monetary Community of Central Africa/Communauté Économique et Monétaire de l'Afrique Centrale	Cameroon, Central African Republic, Chad, Republic of Congo, Equatorial Guinea, Gabon
CEZ	Common Economic Zone	Belarus, Kazakhstan, Russian Federation, Ukraine
CIS	Commonwealth of Independent States	Armenia, Azerbaijan, Belarus, Kazakhstan, Kyrgyz Republic, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine, Uzbekistan
COMESA	Common Market for Eastern and Southern Africa	Burundi, the Comoros, Democratic Republic of Congo, Djibouti, Arab Republic of Egypt, Eritrea, Ethiopia, Kenya, Libya, Madagascar, Malawi, Mauritius, Rwanda, the Seychelles, Sudan, Swaziland, Uganda, Zambia, Zimbabwe
EAC	East African Community	Burundi, Kenya, Rwanda, Tanzania, Uganda

(continued next page)

Annex Table 2A.1. (continued)

Abbreviation	Name of PTA	Members
EAEC	Eurasian Economic Community	Belarus, Kazakhstan, Kyrgyz Republic, Russia, Tajikistan
ECO	Economic Cooperation Organization	Afghanistan, Azerbaijan, Islamic Republic of Iran, Kazakhstan, Kyrgyz Republic, Pakistan, Tajikistan, Turkey, Turkmenistan, Uzbekistan
ECOWAS	Economic Community of West African States	Benin, Burkina Faso, Cape Verde, Côte d'Ivoire, The Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone, Togo
EEA	European Economic Area	European Union, Iceland, Liechtenstein, Norway
EFTA	European Free Trade Association	Iceland, Liechtenstein, Norway, Switzerland
EU	European Union	Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovak Republic, Slovenia, Spain, Sweden, United Kingdom
GCC	Gulf Cooperation Council	Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, United Arab Emirates
LAIA/ALADI	Latin American Integration Association/ Asociación Latinoamericana de Integración	Argentina, Bolivia, Brazil, Chile, Colombia, Cuba, Ecuador, Mexico, Paraguay, Peru, Uruguay, República Bolivariana de Venezuela
Mercosur	Southern Cone Common Market/ Mercado Común del Sur	Argentina, Brazil, Paraguay, Uruguay
MSG	Melanesian Spearhead Group	Fiji, Papua New Guinea, Solomon Islands, Vanuatu
NAFTA	North American Free Trade Agreement	Canada, Mexico, United States
OCT	Overseas Countries and Territories	Anguilla, Aruba, British Antarctic Territory, British Indian Ocean Territory, British Virgin Islands, Cayman Islands, Falkland Islands, French Polynesia, French Southern and Antarctic Territories, Greenland, Mayotte, Montserrat, Netherlands Antilles, New Caledonia, Pitcairn, Saint Helena, Saint Pierre and Miquelon, South Georgian and South Sandwich Islands, Turks and Caicos Islands, Wallis and Futuna Islands
PAFTA	Pan-Arab Free Trade Area	Algeria, Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Palestinian Authority, Qatar, Saudi Arabia, Sudan, Syrian Arab Republic, Tunisia, United Arab Emirates, Republic of Yemen
PATCRA	Papua New Guinea–Australia Trade and Commercial Relations Agreement	Australia, Papua New Guinea
PICTA	Pacific Island Countries Trade Agreement	Cook Islands, Fiji, Kiribati, Federated States of Micronesia, Nauru, Niue, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, Vanuatu
PTN	Protocol relating to Trade Negotiations among Developing Countries	Bangladesh, Brazil, Chile, Egypt, Israel, Republic of Korea, Mexico, Pakistan, Paraguay, Peru, Philippines, Romania, Tunisia, Turkey, Uruguay, former Yugoslavia
SACU	Southern African Customs Union	Botswana, Lesotho, Namibia, South Africa, Swaziland
SADC	Southern African Development Community	Angola, Botswana, Democratic Republic of Congo, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia, Zimbabwe
SAPTA/SAFTA	South Asian Preferential (Free) Trade Arrangement	Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, Sri Lanka
SPARTECA	South Pacific Regional Trade and Economic Cooperation Agreement	Australia, Cook Islands, Fiji, Kiribati, Marshall Islands, Federated States of Micronesia, Nauru, New Zealand, Niue, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, Vanuatu
Trans-Pacific SEP	Trans-Pacific Strategic Economic Partnership	Brunei Darussalam, Chile, New Zealand, Singapore
WAEMU/ UEMOA	West African Economic and Monetary Union/Union Économique et Monétaire Ouest-Africaine	Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal, Togo

Source: Authors' compilation.

Notes

1. The information used in this study is based on several sources: notifications to the WTO; documentation submitted to the WTO's Committee on Regional Trade Agreements (CRTA) or the Committee on Trade and Development (CTD); WTO accession documents; trade policy

reviews; and other public sources. The information may not be exhaustive because, whereas it is possible to account accurately for all notified PTAs, information on nonnotified PTAs, agreements under negotiation, and agreements in the proposal stage is often scarce or inconclusive.

2. There is, of course, no obligation for nonmembers of the WTO to notify their PTAs, but PTAs that involve both members and nonmembers

of the WTO should be notified by the respective WTO member or members.

3. According to the WTO's Transparency Mechanism for Regional Trade Agreements (WTO document WT/L/671), notification is to take place as early as possible, no later than directly following the parties' ratification or application, and before the application of preferential treatment between the parties.

4. There is sometimes a significant time lag between the entry into force of a PTA and its notification. For instance, of the 37 PTA notifications received in 2009, 12 relate to PTAs that entered into force before 2009. Delays in notification may be caused by lengthy ratification procedures, countries' lack of knowledge of notification obligations, indecision about which legal provision (for example, Article XXIV or the Enabling Clause) to invoke (in the case of PTAs covering trade in goods), or recent accession to the WTO, creating notification obligations.

5. WTO statistics are based on notification requirements that do not reflect the physical numbers of PTAs and so tend to overstate the total number of PTAs. Notifications to the WTO include those made under GATT Article XXIV, General Agreement on Trade in Services Article V, and the Enabling Clause, as well as accessions to existing PTAs. The notification requirements contained in WTO provisions require that PTAs covering trade in goods and services be notified separately. For a complete list of PTAs notified to the GATT/WTO and in force, see the WTO's Regional Trade Agreements Database (<http://rtais.wto.org/>). The total number of notified PTAs in force minus economic integration agreements in services and accessions to existing PTAs yields the number of physical agreements.

6. Before the establishment of the WTO in 1995 and the negotiation of the General Agreement on Trade in Services (GATS), there was no obligation to notify PTAs with services provisions.

7. The World Bank's classification of developed countries includes all countries defined as high income, whether members of the Organisation for Economic Co-operation and Development (OECD) or non-OECD. This differs from the WTO classification, in which developing-country status is based on WTO members' self-selection.

8. Information on PTAs under negotiation and signed is based on available figures and is accurate to the best of our knowledge. Information on some geographic regions, such as Central Asia and the Middle East, is difficult to obtain and, thus, can only be considered a best estimate.

9. Bilateral PTAs may include more than two countries when one of the parties is itself a PTA. For example, for our purposes, EFTA-Chile is considered a bilateral PTA, although it involves the four countries of EFTA plus Chile. A plurilateral PTA refers to one in which the number of constituent parties exceeds two countries, such as Mercosur, CARICOM, and the SADC.

10. The World Bank regions used in this study are as follows: East Asia and Pacific; Europe and Central Asia; North America, Latin America, and the Caribbean; Middle East and North Africa; South Asia; and Sub-Saharan Africa. The regional classification of countries differs somewhat from that used in the WTO framework.

11. This section relies heavily on Horn, Mavroidis, and Sapir (2010).

12. Figure 2.12 shows the inclusion of such provisions in RTAs whether or not the commitments go beyond existing commitments under the relevant WTO agreements. In addition, such provisions may or may not be legally enforceable.

13. Until the conclusion of the Lisbon agreement, EU law did not cover investment provisions with third countries. Instead, this was a bilateral issue like double-taxation agreements.

14. The enlargement led to the termination of a number of bilateral agreements between the EU-25 (referring to the EU before the latest enlargement) and the new member states, and between the two new member states (Bulgaria and Romania) and third parties. The termination of these agreements was notified to the WTO (WT/REG/GEN/N/4).

15. The termination of these agreements was notified to the WTO (WT/REG/GEN/N/5).

16. The Mediterranean parties are Algeria, the Arab Republic of Egypt, Israel, Jordan, Lebanon, Morocco, the Palestinian Authority, the Syrian Arab Republic, and Tunisia. The agreement with Syria was adopted by the EU Council on October 27, 2009; signature of the agreement awaits further notice from Syria (European Commission, *Overview of PTA and other Trade Negotiations*, February 5, 2010).

17. Ukraine is also negotiating PTAs with EFTA, the EU, and Singapore, and an agreement with Canada has been proposed.

18. In addition to its plurilateral agreements such as NAFTA, LAIA/ALADI, the Protocol relating to Trade Negotiations among Developing Countries, the Global System of Trade Preferences among Developing Countries (GSTP), and the Mexico-Northern Triangle agreement (with El Salvador, Guatemala, and Honduras), Mexico has eight PTAs and another eight agreements under the LAIA/ALADI framework.

19. Panama's agreements with Guatemala and Nicaragua are in force but have not yet been notified to the WTO.

20. Colombia also has agreements with Cuba, Mercosur, and Mexico under the LAIA/ALADI framework.

21. The agreements are with the Andean Community, Bolivia, Chile, Colombia, Cuba, Ecuador, Mexico, Peru, and República Bolivariana de Venezuela.

22. The agreements are with Bolivia, Cuba, Ecuador, Mercosur, Peru, and the República Bolivariana de Venezuela,

23. Thailand has agreements in force with Australia, Japan, the Lao PDR, and New Zealand. Negotiations are ongoing concerning the Bangladesh, India, Myanmar, Sri Lanka, and Thailand Economic Cooperation (BIMSTEC) and with Chile, EFTA, India, and the United States. Malaysia has agreements in force with Japan and Pakistan and is currently negotiating with Australia, Chile, EFTA, India, New Zealand, and the United States.

24. Nowhere is overlapping membership more problematic than in simultaneous membership of multiple customs unions. For instance, Tanzania is a member of the East African Community (a customs union) and of SADC, a group that plans to become a customs union. Similarly, several countries are members of the SADC and of the Common Market for Eastern and Southern Africa (COMESA), both of which plan to become customs unions.

25. For example, Tanzania is negotiating under the EU-SADC EPA, although it is a member of the EAC, and a number of SADC and COMESA members are negotiating together under the EU-ESA EPA. (The Comoros, Djibouti, Eritrea, Ethiopia, and Sudan are COMESA members; Madagascar, Mauritius, the Seychelles, Zambia, and Zimbabwe are members of the SADC.)

26. This simple measure ignores the issue of preference utilization; that is, in some instances intra-PTA trade might not be conducted on a preferential basis. Furthermore, the growth of intra-PTA imports might, in some cases, be associated with trade diversion.

27. The reduction of external protection could be associated with the creation of this particular PTA or with other bilateral or plurilateral liberalization.

28. The sample covers all 179 countries available in the International Monetary Fund Direction of Trade statistics over the period 1970–2008. GDP data originate from the IMF's *World Economic Outlook* database. Dummies are included for the membership of the following PTAs: ASEAN, CACM, CAN, CARICOM, CEFTA, CEZ, CIS, COMESA, EAC, ECOWAS, EFTA, EU, GCC, Mercosur, NAFTA, PATCRA, SADC, SAFTA, and WAEMU/UEMOA.

29. These results are consistent with the gravity estimates of the impact of PTAs on intraregional trade found in *Global Economic Prospects 2005* (World Bank 2005). Although the World Bank analysis covers an earlier time period (1960–2000) and the gravity model specification is different, the relative values of the coefficients on intra-PTA trade are similar to our findings.

30. The impact on trade is equal to $e^{-0.155} - 1 = -14$ percent.

31. The result for CEFTA is not easy to interpret because membership of the bloc has changed dramatically with EU enlargements.

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