Changing Landscape of RTAs and PTAs: Analysis and Implications

Pakistan in the Global Economy – Opportunities and Challenges

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Outline

• Introduction: Some terms explained
• Regional Trade Agreements (RTAs): A story through graphs
• Preferential Trade Agreements (PTAs): Another story through graphs
• Mega-Regionals: Some facts and assessments
• Way Forward: Some suggestions
I. Introduction: Terms Explained

*Discriminatory trade agreements*

All those agreements that are among a limited number of WTO Members and provide to their members better trade treatment that they can get under the WTO, without offering it to all WTO Members. Hence they can be categorised as “discriminatory” towards the non-members, as opposed to “non-discriminatory” nature of the WTO agreements.
I. Introduction: Terms Explained

Regional Trade Agreements (RTAs)
Those discriminatory trade agreements that are based on reciprocity among their members. These include FTAs, Customs Unions, Economic Unions between two or more countries within the same region or across regions.

Preferential Trade Agreements (PTAs)
Those discriminatory trade agreements that provide for non-reciprocal offering of trade preferences by one country/group to another defined group of countries. These include various GSP and similar schemes, e.g. EBA of the EU.

Mega-Regionals
The Transpacific Partnership (TPP) and the Transatlantic Trade and Investment Partnership (T-TIP) are dubbed mega regionals due to the large share of their members in total world trade.
I. RTAs: Number of RTAs per Country in 1995
I. RTAs: Number of RTAs per Country in 2013
1. RTAs: Entry into Force by Country since 2008

RTAs entering into force since 2008

Legend:
- > 14
- 10 - 14
- 6 - 10
- 2 - 6
- 1
- 0
I. RTAs: Countries with 10 or Less RTAs
I. RTAs: Pakistan vs. SAARC Countries
I. RTAs: Pakistan vs Major Trading Countries

![Diagram showing the number of agreements notified and in force for Pakistan and other major trading countries. The categories include Partial Scope Agreement, Free Trade Agreement, and Customs Union.]
## I. RTAs: Pakistan’s Experience

<table>
<thead>
<tr>
<th>FTA/PSA</th>
<th>Year of entry into force</th>
<th>One year before entry into force</th>
<th>Latest (2012)</th>
<th>Imports as % of Exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic Cooperation Organisation</td>
<td>1992</td>
<td>n/a</td>
<td>4.75</td>
<td>n/a</td>
</tr>
<tr>
<td>SAARC</td>
<td>2006</td>
<td>4.31</td>
<td>4.49</td>
<td>177.20</td>
</tr>
<tr>
<td>China</td>
<td>2007</td>
<td>7.32</td>
<td>13.6</td>
<td>575.34</td>
</tr>
<tr>
<td>Malaysia</td>
<td>2008</td>
<td>2.46</td>
<td>3.46</td>
<td>1423.15</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>2005</td>
<td>0.58</td>
<td>0.56</td>
<td>33.89</td>
</tr>
<tr>
<td>Iran (PSA)</td>
<td>2004</td>
<td>1.54</td>
<td>0.38</td>
<td>367.43</td>
</tr>
<tr>
<td>Mauritius (PSA)</td>
<td>2007</td>
<td>0.08</td>
<td>0.05</td>
<td>3.39</td>
</tr>
<tr>
<td>Indonesia (PSA)</td>
<td>2013</td>
<td>in force 2013</td>
<td>2.32</td>
<td>in force 2013</td>
</tr>
</tbody>
</table>
II. PTAs: Nature of Schemes, Providers and Beneficiaries

- Australia
- Canada
- EU
- Iceland
- Japan
- New Zealand
- Norway
- Russian Federation, Belarus, Kazakhstan
- Switzerland
- Turkey
- United States
II. PTAs: Providers as per the Number of PTAs They Offer
II. PTAs: Beneficiaries as per the Number of PTAs They Benefit From
III. Mega-Regionals: Some Facts

**TPP**
- Start of negotiations in 2006 as Pacific-4 among Brunei, Chile, New Zealand and Singapore
- Later joined by Australia, Malaysia, Peru, Vietnam and USA
- Canada, Japan and Mexico joined negotiations in 2013
- Deadlines for completion missed: now there is no announced deadline
- Difficult negotiations: Japan-USA; Developed-Developing

**T-TIP**
- Launched in 2013. Includes both tariff & non-tariff issues (standards and regulations)
- Public scrutiny, anxiety, and hostility on both sides of the Atlantic

*Uncertainty about the timing of conclusion and content of both.*
III. Mega-Regionals: Estimates of Impacts on Others

- **Cheong I.:** Implementation of TPP to reduce the rest of the world GDP by 0.07%
- **Peterson Institute:** Implementation of TPP to reduce the rest of the world GDP by 0.07% by 2025
- **EU Study:** Implementation of T-TIP to increase Low-income countries’ GDP by 0.09% under “less ambitious” and by 0.2% under “ambitious” scenario
- **Bertelsmann Institute:** T-TIP implementation to change individual developing country real income per capita by between 0.5% and -7.4% under “tariff liberalisation only” and by between -0.1% and -7.2% under “deeper integration”
- **Vietnam Impact:** Negative impact expected on non-TPP textiles and apparel exporters to the USA after TPP implementation
- **Preference Erosion:** Expected preference erosion for textiles, clothing, footwear, fish, banana, and sugar exporters to the US and the EU markets after T-TIP implementation
III. Mega-Regionals: Determinants of Impacts on Non-Members

- Existing levels of trade and the structure of trade between a non-member and members of TPP and T-TIP
- The level of liberalisation and regulatory harmonisation achieved under TPP and T-TIP
- The direct effect of TPP and T-TIP on existing access of LDC and low-income countries to EU and USA markets under PTAs
- The impact of the reduction of non-tariff measures and harmonisation of standards under TPP and T-TIP – can be either positive or negative by reducing/increasing the compliance costs for non-members
### III. Mega-Regionals: T-TIP Impact on Pakistan

<table>
<thead>
<tr>
<th>Market</th>
<th>5 or more of top 20 export products have MFN 10%&lt;Tariff&lt;15%</th>
<th>1 or more of top 20 export products have MFN Tariff&gt;15%</th>
<th>10 or more of top 20 export products are exposed to SPS</th>
</tr>
</thead>
<tbody>
<tr>
<td>EU</td>
<td>Bangladesh, <strong>Pakistan</strong>, Cambodia, Haiti, Mauritania, Madagascar, Nepal</td>
<td>Cambodia, Ghana, Chad, Burundi, Madagascar, Malawi, Togo</td>
<td>Ghana, Kenya, Mauritania, Burkina Faso, Burundi, DR Congo, the Gambia, Occupied Palestine Territories, Rwanda, Somalia, Sudan, Uganda</td>
</tr>
<tr>
<td>USA</td>
<td>Bangladesh, <strong>Pakistan</strong>, Cambodia Haiti, Kenya, Madagascar,</td>
<td>Bangladesh, <strong>Pakistan</strong>, Cambodia, Haiti, Kenya, Ethiopia, Guinea, Burkina Faso, Kyrgyz Republic, Madagascar, Malawi, Mali, Mozambique, Occupied Palestine Territories, Rwanda, Togo, Uganda</td>
<td>Ghana, Nigeria, Malawi, Togo and Uganda</td>
</tr>
</tbody>
</table>

IV. Some Suggestions for Pakistan: Short Term Action

Focus on Market Access

• Negotiating RTAs with selected and interested countries that will also build negotiating capacity and improve Pakistan’s visibility on RTA scene

• Aggressively defending its preferences including through WTO challenges and, where possible, increasing its benefits under PTAs including through GSP+ or similar schemes
IV. Some Suggestions for Pakistan: Medium Term Objectives

*Increasing Benefits from International Trade*

- Improving competitiveness including by investing in infrastructure, energy, and human resources; improving law and order; and adopting coherent and supportive macro-economic policies
- Becoming an attractive partner for dynamic economies and RTAs
- Maintaining strong engagement in the WTO to strengthen the multilateral trading system
Thank You