23 March 2017

TAKING STOCK OF TRADE LIBERALIZATION

The WTO, Free Trade Agreements and Beyond

Introduction

Those who maintain that world trade is trending down after decades of expansion can cite numerous statistics to support their claim. Global merchandise trade declined in 2015 for the second time since the start of the millennium (the first time being 2009, with the global financial crisis). Last September, the World Trade Organization (WTO) revised down its trade forecasts, predicting 1.7% world merchandise trade volume growth in 2016 and 1.8%-3.1% in 2017, from its earlier forecast of 2.8% and 3.6%, respectively. The contraction was driven by slowing GDP and trade growth in the US as well as in developing economies such as China and Brazil.[1]

At the same time, protectionism has been on the rise. The WTO's current Doha Round of multilateral negotiations for further liberalization of global trade continues to show little progress, while use of trade-restrictive measures such as tariffs has been increasing. According to the WTO Trade Monitoring Report published in December 2016[2], some 15 new trade-restrictive measures were imposed per month by WTO members, a number the WTO described as "worryingly high." While a total of 2,978 trade-restrictive measures[3] were imposed by WTO members between October 2008 and October 2016, only 740 were removed. G20 countries alone imposed 1,583 trade restrictive measures between January 2009 and mid-May 2016, and only a quarter of these measures had been removed as of mid-May 2016. Anti-dumping actions, mostly on metals and chemicals, accounted for the majority of the restrictive measures imposed.[4]

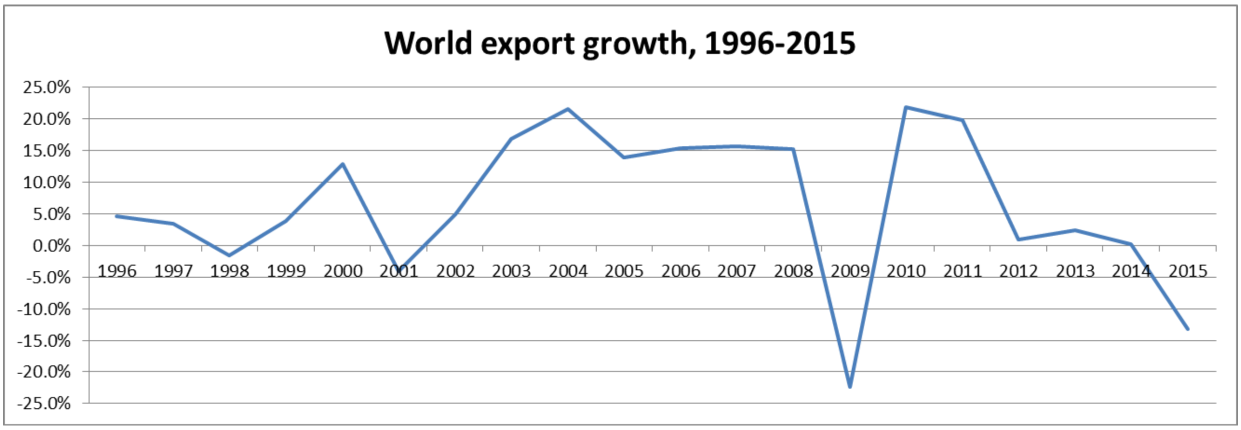
Resentment over free trade and immigration has been gaining ground in the US and other advanced Western economies, due in part to the uneven distribution of gains from globalised trade. As WTO Director General Roberto Azevêdo put it, "The net positive effect of trade means nothing if you've lost your job. So we need better domestic policies to support people and get them back to work,"[5] a point which resonated with world leaders at the World Economic Forum in Davos in January this year.

With moves towards further trade liberalization seemingly at an impasse, it is useful to take stock of prospects for the key institutions upon which the world has, thus far, come to rely for trade liberalization. They are: the multilateral framework pursued by the WTO; bilateral and plurilateral free trade agreements (FTAs), and "mega-regionals" such as the now-ailing

[1] https://www.wto.org/english/news_e/pres16_e/pr779_e.htm
[2] https://www.wto.org/english/news_e/news16_e/trdev_09dec16_e.htm
[3] Trade-restrictive measures include tariffs, import customs procedures, quantitative restrictions, etc.
[4] https://www.wto.org/english/news_e/news16_e/trdev_21jun16_e.htm
[5] https://www.wto.org/english/news_e/news17_e/dgra_20jan17_e.htm

Trans-Pacific Partnership (TPP) and the still-viable Regional Comprehensive Economic Partnership (RCEP).

As the global economy re-balances to the East, this ongoing shift is likely to impact how the traditional institutions of world trade function. Asia is quickly catching up with trade liberalization moves of its own. There is continuous growth in the number of FTAs with Asian and non-Asian countries, along with steps towards deeper regional integration. Moreover, China has recently taken a leadership role in the region by stating its commitment to free trade and promoting its “Belt and Road Initiative” as an open platform for intra- and inter-regional economic cooperation. This initiative has the potential to present an alternative path to globalization, complementing the WTO system while still keeping momentum going for trade liberalization across a massive geographical span. China’s growing influence is thus set to inject a new dynamic – and dynamism – into international trade.



Source: WTO

The changing landscape of international trade

The WTO is the mainstream platform for setting global trade rules and negotiating for trade liberalization. It is by far the most representative trade forum, with members at all stages of economic development covering almost all of global trade. Though its trade liberalizing function has largely been stymied for years, the WTO continues to provide the rules and enforcement mechanisms on which global trade is based. Beyond the WTO, the past two decades have witnessed a proliferation of free trade agreements covering trade in goods or services between two or more trading partners. The WTO has been notified by its members of over 400 such FTAs since 1995.

“Mega-regionals”, which are FTAs with extensive geographical coverage and depth of liberalization, have also come into the spotlight with significant progress, at least until recently, towards a number of such partnerships including the TPP, the Transatlantic Trade and Investment Partnership (TTIP) and RCEP.

1. <u>Multilateral trading system</u>

The WTO was established on 1 January 1995 as the successor to the General Agreement on Tariffs and Trade (GATT) which had regulated world trade since 1948.

The WTO emerged from negotiations aimed at progressively reducing obstacles to trade. Much of the WTO's current framework came from the GATT's Uruguay Round, which took place between 1986 and 1994. The WTO is currently the host to the marathon round of negotiations known officially as the "Doha Development Agenda", launched in 2001. Decisions in the WTO are generally taken by consensus of the entire membership – a major reason why agreements are so hard to reach.

In addition to negotiations, the WTO acts as the mainstay of world trade by, for example, handling trade disputes, monitoring countries' trade policies, and building trade capacity.

In its first two decades of operation, the WTO notched up notable successes in advancing its trade liberalizing agenda. Average applied tariffs were halved, to less than 8% in 2015 from 15% in 1995. Almost 60% of world trade is tariff free today.[6]

However, the WTO has since made little progress with its Doha Round negotiations yet to be successfully concluded. The WTO acknowledges that members "have different views" on the Round's future, with some members wishing certain issues to be resolved outside the Doha mandate.[7]

2. Mega-regionals

There are heated debates over whether mega-regionals will ultimately be building blocks or stumbling blocks for the world trade system. Some believe that mega-regional agreements help countries move towards the WTO's end point of free and open trade, by enabling a set of likeminded countries to practice free and open trade first amongst themselves. Others worry that mega-regionals will compete with and undermine the WTO's multilateral system, further diminishing incentives for members to persevere with the WTO's global agenda.

Optimism about mega-regionals reached a peak in October 2015 when 12 countries accounting for nearly 40% of global GDP – even, controversially, without the participation of China – concluded negotiations for the TPP. While still subject to ratification, this US-championed agreement was expected to ring in a new era of trade by connecting some of the world's largest consumer markets with fast-growing developing countries that could potentially become major manufacturing bases and sources of consumption growth.

The depth of commitments made in the TPP was impressive. Not only would it eliminate most tariffs on goods traded within the TPP region, its provisions on market access for services and investment – as well as various "behind-the-border" policies and commitments on co-operation and harmonization – were expected to bring fresh momentum to economic growth and cooperation in the Asia-Pacific region. Indeed, hopes were high that the agreement would eventually expand to achieve the Free Trade Area of the Asia-Pacific (FTAAP) – a comprehensive free trade area comprising all 21 Asia-Pacific Economic Cooperation (APEC) members - including China.

For several member states, difficulties began to arise in gaining necessary popular support for the deal. Meanwhile, with the new Trump Administration swiftly pulling the US out of the TPP in January this year, it became apparent that reaching trade liberalizing agreement through mega-regionals may *not*, in reality, be easier than going the WTO route.

[6] WTO Annual Report 2016
[7] WTO Nairobi Ministerial Declaration, adopted on 19 December 2015

Nevertheless, the remaining 11 TPP signatories have signalled their determination to press ahead regardless. In mid-March, a meeting of their trade ministers, together with China and South Korea, was held in Chile.

With the TPP in trouble, all eyes are now turned towards RCEP, comprising the 10 ASEAN economies plus China, Japan, South Korea, India, Australia and New Zealand. China has been staunchly supportive of the ASEAN-initiated RCEP, which conspicuously excludes the US, as an alternative to the TPP. RCEP has thus emerged as perhaps the only path to the realization of the FTAAP.

RCEP will likely be successfully concluded and ratified because, according to former WTO Chief Economist Patrick Low, it is essentially “a consolidation of pre-existing, fragmented arrangements” between ASEAN and the other six participants.[8] By focusing on simpler goals and largely leaving “behind-the-border” policies alone, RCEP can probably avoid many of the controversies that still beset the TPP.

3. Free trade agreements

For Asia, FTAs are a relatively recent phenomenon. In 2000, only one bilateral FTA was in effect in Asia while one other was being negotiated[9]. Yet by 2015, Asia was at the forefront of FTA activity, with 77 bilateral FTAs in effect and 35 in preparation.[10] **Appendix I** lists FTAs and mega-regionals involving a selection of Asian developing economies and the EU, the US and Canada.

Under President Trump, the US is likely to favor bilateral FTAs over more complicated plurilateral and mega-regional agreements. It has already announced plans to start negotiating bilateral FTAs with Japan and the UK.

This proliferation of FTAs is not necessarily good news for participating economies, nor will it necessarily benefit their businesses involved in international trade. By reducing trade barriers among member countries, FTAs will undoubtedly increase trade and other economic activities between them. One reason is that, with the removal of trade barriers such as tariffs, demand increases in response to a fall in prices. However, such an increase in trade could also be accounted for by trade diversion, which could mean that an FTA diverts trade away from a more efficient supplier in a non-member country towards a less efficient supplier within the FTA.[11]

One study has found that plurilateral FTAs cause trade diversion for many more commodities than do bilaterals.[12] The ASEAN FTA (AFTA), for example, led to relatively-large trade diversion effects on chemical products and articles of apparels.[13] Another study

[8] http://asia.nikkei.com/Viewpoints/Patrick-Low/R.I.P.-TPP-time-to-turn-back-to-the-WTO
[9] Includes East Asia (China; Hong Kong; Japan; South Korea; Mongolia; Taiwan), Southeast Asia (Brunei Darussalam; Cambodia; Indonesia; Lao PDR; Malaysia; Myanmar; Philippines; Singapore; Thailand; Vietnam) and South Asia (Afghanistan; Bangladesh; Bhutan; India; Maldives; Nepal; Pakistan; Sri Lanka).
[10] https://aric.adb.org/fta
[11] http://wits.worldbank.org/wits/WITS/WITSHELP/Content/SMART/Trade%20Effects.htm
[12] Urata, Shujiro, and M. Okab. "Trade creation and diversion effects of regional trade agreements on commodity trade." Discussion papers 10007 (2010).
[13] Ibid.

has revealed that the AFTA had a positive effect on trade among ASEAN members while adversely impacting trade between ASEAN and non-ASEAN countries.[14]

4. The 'Belt and Road' Initiative

Amidst rising protectionism and the trend away from the multilateral trading system towards bilateral FTAs, China has been advocating a more inclusive, pragmatic approach through its "Belt and Road" (B&R) Initiative. With traditional efforts at global trade liberalization losing steam, one hope is that China's B&R Initiative will give globalization fresh impetus by building a network of regional and global partnerships. It could even usher in a more inclusive type of globalization.

In contrast with FTAs or other mega-regionals, which are confined to signatories and often perceived to favor the interests of developed countries, the B&R Initiative is an open, inclusive cooperation framework. It envisages diversified modes of cooperation to enable all countries, both developed and developing, to cooperate on an equal footing. Thus, compared with mega-regionals or FTAs, the B&R Initiative is seen as more international, more cooperative, more pragmatic and less one-sided.

The B&R Initiative is an open platform for all countries. Although it initially targeted the 60-plus countries along the overland "Belt" and maritime "Road", more than 100 countries and international organizations had already come aboard by the end of 2016. Of these, more than 40 have signed cooperation agreements with China.

The B&R Initiative is not only a call for economic integration, but a drive to improve "five connectivities"' among participating countries, namely: policy coordination, infrastructure connectivity, free trade, financial integration and people-to-people bonds, which represent and promote globalization in economic, political, cultural and other areas.

China is also pushing for RCEP and the FTAAP, which it sees as complementary to the B&R Initiative, as significant moves toward economic integration in the region. For example, while the B&R Initiative will facilitate the physical movement of goods with increased infrastructure connectivity, RCEP and the FTAAP seek to reduce policy barriers (such as tariffs) to trade. In fact, Chinese President Xi Jinping, speaking at the APEC summit in November last year, urged regional leaders to advance trade deals that include RCEP and the FTAAP.

China's consistent support for trade liberalization since it joined the WTO in 2001 underscores its commitment to this goal at a time when anti-trade and anti-globalization sentiment is growing in some Western countries. It also implies that China intends to fill any void left by the US should the Trump Administration continue to step back from US leadership of global trade liberalization and turn, instead, towards protectionism. One such opportunity came last week, when China sent its special envoy for Latin America to join TPP members and South Korea in the trade ministerial meeting in Chile - and promoted RCEP at the meeting.

[14] Coulibaly, Souleymane. "On the assessment of trade creation and trade diversion effects of developing RTAs." Unpublished Working Paper 15 (2004).

China's new leadership role and the need to re-focus on multilateralism

Despite the Doha stalemate, it would be premature and unwise to declare the WTO obsolete or ineffective. Its system creates a level playing field for all, regardless of an individual member country's power status or economic clout. Moreover, the WTO's multilateral approach is better suited than that of FTAs or mega-regionals to the fast-changing realities of global trade. For example, today's products often cross borders numerous times before reaching end consumers. It is difficult for individual governments to define the origin of a good, let alone to write an FTA that effectively facilitates its trade.

The overlaying of complicated, overlapping FTAs upon global value chains and international production networks, means that enterprises must cope with multiple tariffs, standards and regulatory regimes, commonly known as the "spaghetti bowl effect". Companies incur higher costs and face greater uncertainty when attempting to comply with and keep track of so many additional regulatory hurdles.

Another drawback of FTAs is that they often cause businesses to sub-optimize their competitive advantage. Enterprises become inclined to base their locational decisions on eligibility for preferential treatments instead of finding the optimal way to deliver the best product to the right customer at the right time at the right price.

By progressively integrating more advanced commitments in the TPP and other FTAs into the WTO's global framework, it is possible that true progress in liberalization of trade and investment could yet be made. And, Doha notwithstanding, the WTO itself has demonstrated that it is still able to secure meaningful commitments by members.

The Trade Facilitation Agreement (TFA), concluded at the WTO's 2013 Bali Ministerial Conference, recently entered into force after its ratification by 112 economies, passing the legal threshold of two-thirds of the WTO membership. The TFA is expected to help new firms export for the first time. Once fully implemented, "developing countries are predicted to increase the number of new products exported by as much as 20%, with least-developed countries likely to see an increase of up to 35%," according to a WTO study.[15]

The Expansion Agreement of the Information Technology Agreement (ITA), concluded at the 2015 WTO meeting in Nairobi, is another step forward in a key area for global business. Eighteen of the 24 participants in the expanded ITA have now submitted modified tariff schedules and others are on track to do so. The expanded ITA, which will by 2023 eliminate tariffs on 201 additional IT products with annual trade valued at over US$1.3 trillion, was concluded by 24 participants representing 53 WTO members, but the benefits are being extended to all 164 WTO members, meaning that they will all enjoy duty-free access to the markets of the 53 members eliminating tariffs on these products.

Both the TFA and the expanded ITA are examples of so-called "critical mass" deals, whereby all WTO members benefit from the arrangements but only those ready and able to do so take on the corresponding commitments. This arrangement helps to ease tensions

[15] https://www.wto.org/english/news_e/news17_e/fac_31jan17_e.htm

present in traditional WTO trade deals, by allowing new participants to commit at a later date depending on their economic situation.

Furthermore, the continuous growth of WTO membership, with new members joining each year, is another often-overlooked achievement. Among the newest members are Afghanistan (joined in 2016), Liberia (2016), Kazakhstan (2015), and Seychelles (2015). These new accessions bring WTO membership to 164 economies representing 98% of world trade, which is close to its target of achieving universality. The addition of new members despite the cost of joining is a testimony that the WTO continues to be seen as a valuable and necessary platform for international trade.

Last but not least, China's emergence as a vocal supporter of free trade, globalization and economic openness could provide grounds for renewed hope in the WTO's multilateral system. President Xi Jinping has repeatedly emphasized China's commitment to free trade amidst rising protectionism in the US and parts of Europe. At the World Economic Forum in Davos in January, he also offered a vigorous defense of globalization, calling for the international community to take steps to fix the system, rather than back away from free trade. In addition to the B&R Initiative, China is a strong advocate of regional cooperation deals including the FTAAP and the RCEP. In other words, the indications are that China is willing and ready to play a leading role in driving the global, multilateral trading system forward.

Appendix I: Free trade agreements involving selected Asian countries and US, EU and Canada

	Canada	US	EU	Vietnam	Turkey	Thailand	Philippines	Pakistan	Indonesia	India	China	Cambodia	Bangladesh
Bangladesh				GSTP	D-8 FTA, PTN	GSTP, BIMSTEC FTA	GSTP, PTN	D-8 FTA, GSTP, PTN, SAFTA, BD-PK FTA	D-8 FTA, GSTP	APTA, GSTP, SAFTA, BIMSTEC FTA	APTA		
Cambodia			ASEAN-EU FTA	ASEAN+, RCEP		ASEAN+, RCEP	ASEAN+, RCEP		ASEAN+, RCEP	AIFTA, RCEP	ACFTA, RCEP		
China			EU-China IA	ACFTA, RCEP		ACFTA, RCEP	ACFTA, RCEP	CN-PK FTA	ACFTA, RCEP	APTA, RCEP			
India	CA-IN CEPA		EU-IN BTIA	AIFTA, GSTP, RCEP		AIFTA, GSTP, RCEP, BIMSTEC FTA, IN-TH FTA	AIFTA, GSTP, RCEP	GSTP, SAFTA	AIFTA, GSTP, IN-ID CECA, RCEP				
Indonesia			ASEAN-EU FTA, EU-ID CEPA	ASEAN+, GSTP, RCEP	D-8 FTA	ASEAN+, GSTP, RCEP	ASEAN+, GSTP, RCEP	D-8 FTA, GSTP, ID-PK PTA					
Pakistan				GSTP	D-8 FTA, ECOTA, PTN	GSTP, PK-TH FTA	GSTP, PTN						
Philippines			ASEAN-EU FTA, EU-PH FTA	ASEAN+, GSTP, RCEP	PTN	ASEAN+, GSTP, RCEP							
Thailand			ASEAN-EU FTA, EU-TH FTA	ASEAN+, GSTP, RCEP									
Turkey			EU-TR CU										
Vietnam	TPP	TPP	ASEAN-EU FTA, EU-VN FTA										
EU	CA-EU CETA	TTIP											
US	NAFTA, TPP												
Canada													

1. "ASEAN+" here represents ASEAN FTA (AFTA) and the five ASEAN+1 agreements signed with Australia and New Zealand, China, India, Japan, and South Korea. It also includes the ASEAN-EU FTA now under negotiation.
2. Agreements highlighted in red are now under negotiation.
3. Details of the agreements are provided in the following tables.

FTAs in force

	Name of agreement	Status	Current signatories[16]	Total population of signatories (2014)[17]	Total GDP of signatories (2014)[18]	Highlights	Rules of Origin[19]
ACFTA	ASEAN-China Free Trade Area	In force since 2005	Brunei, Cambodia, China, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam	1,988 million	US$12,838 billion	Zero duty for 94.7% of all tariff lines.	Cumulation: RVC 40%. The full value of a material used in the production of a finished good can be accumulated towards the RVC of the finished good only if the material itself qualifies as originating.
AFTA	ASEAN Free Trade Area	In force since 1993	Brunei, Cambodia, Indonesia, Lao, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam	623 million	US$2,478 billion	Zero-duty for 87.8% of all tariff lines, according to the ATIGA Tariff Schedule of 2013.	Cumulation: RVC 40% or CTH. A material can contribute towards the aggregate RVC of the finished good, as long as the material itself has a RVC of 20% or more.
AIFTA	ASEAN-India Free Trade Area	In force since 2010	Brunei, Cambodia, India, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam	1,919 million	US$4,545 billion	Zero duty for 79.6% of all tariff lines.	Cumulation: RVC 35% and CTSH.
APTA	Asia Pacific Trade Agreement	In force since 1976	Bangladesh, China, India, Republic of Korea, Lao PDR, Sri Lanka	2,896 million	US$14,153 billion	Covers 10,001 tariff lines after the latest (4th) round of negotiation. The Margin of Preference (the difference in average between the MFN rate of duty and the preferential rate of duty) is 29.2%.	Local value added 45% (35% for LDC's). Cumulation: the aggregate content originating in the territory of the Participating States is not less than 60% of its FOB value (50% for LDC members).
CN-PK FTA	China-Pakistan Free Trade Agreement	In force since 2007	China, Pakistan	1,549 million	US$10,607 billion	Both the countries will eliminate tariffs on around 90% products, both in terms of tariff lines and trade volume, within a reasonable period of time.	Local value added 40% (based on FOB price). Cumulation: bilateral, aggregate originating content on the final product is not less than 40%.

[16] The US, Canada, the EU, and the selected Asian countries are highlighted in blue

[17] Source: World Bank

[18] Source: World Bank (except for New Zealand, Trinidad and Tobago and Tunisia, where estimates from the IMF World Economic Outlook were adopted; and Cuba, where 2013 figure was adopted; and the Democratic People's Republic of Korea, where Bank of Korea's estimate was used)

[19] Abbreviations are explained in the glossary in the end of this section.

	Name of agreement	Status	Current signatories	Total population of signatories (2014)	Total GDP of signatories (2014)	Highlights	Rules of Origin
D-8 PTA	Preferential Tariff Arrangement - Group of Eight Developing Countries	In force since 2011	Bangladesh, Egypt, Indonesia, Iran, Malaysia, Nigeria, Pakistan, Turkey	1,050 million	US$3,706 billion	In line with targets in the D-8 Roadmap 2018, the PTA aspires to increase the share of trade among D-8 members from the current 7.06% of their total foreign trade to 10-15% within the next 10 years.	Negotiations of the Rules of Origin are in progress.
ECOTA	Economic Cooperation Organization Trade Agreement	In force since 2008	Afghanistan, Azerbaijan, Iran, Kazakhstan, Kyrgyz Republic, Pakistan, Tajikistan, Turkey, Turkmenistan, Uzbekistan	447 million	US$1,897 billion	Tariffs in a positive list will be lowered to below 15% gradually. Implementation was delayed but will restart on 1 January 2014.	Local value added 40%. Cumulation: RVC 60%.
EU-TR CU	EU-Turkey Customs Union	In force since 1996	EU, Turkey	584 million	US$19,260 billion	Goods can now travel between the two entities without any customs restrictions.	N/A
GSTP	Global System of Trade Preferences among Developing Countries	In force since 1989	42 developing countries, including Bangladesh, India, Indonesia, Pakistan, Philippines, Thailand, Vietnam, and the Southern Common Market (MERCOSUR) trade bloc	3,570 million	US$14,441 billion	The 3rd round of negotiations, in which participating members agreed to reduce applied tariffs by 20% on at least 70% of dutiable products, concluded in 2010 but has not yet become effective.	Local value added 50% (40% for LDC’s). Cumulation: RVC 60%.
ID-PK PTA	Indonesia-Pakistan Preferential Trade Agreement	In force since 2013	Indonesia, Pakistan	439 million	US$1,135 billion	Preferential tariffs for items including cotton yarn, cotton fabrics, readymade garments, leather goods and other industrial products.	Local value added 40% (based on FOB price). Cumulation: RVC 40%.
NAFTA	North American Free Trade Agreement	In force since 1994	Canada, Mexico, US	480 million	US$20,488 billion	All tariffs and most nontariff barriers on goods produced and traded within North America are gradually being eliminated. All duties on textile and apparel goods within North America were phased out over a 10-year period.	The rule of origin might require 1) a change in tariff classification; 2) an RVC requirement; or 3) both a change in tariff classification and an RVC requirement.

	Name of agreement	Status	Current signatories	Total population of signatories (2014)	Total GDP of signatories (2014)	Highlights	Rules of Origin
PTN	Protocol on Trade Negotiations	In force since 1973	Bangladesh, Brazil, Chile, Egypt, Israel, Republic of Korea, Mexico, Pakistan, Paraguay, Peru, Philippines, Serbia, Tunisia, Turkey, Uruguay	1,076 million	US$7,777 billion	The PTN is a protocol relating to trade negotiations among developing countries.	A participating country may continue to apply rules such as a value-added criterion or a process criterion (a change in tariff classification), with necessary adaptations according to the agreement.
SAFTA	South Asian Free Trade Agreement	In force since 2006	Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, Sri Lanka	1,689 million	US$2,587 billion	Tariffs are scheduled to be lowered to 0-5% by 2012 for developed members (2013 for LDC members). The deadline, however, was made obsolete by unresolved differences.	Local Value Added 40% (30% for LDC's) or CTH. Cumulation: RVC 50% with domestic value content 20%.

FTAs pending ratification							
	Name of agreement	**Status**	**Current signatories**	**Total population of signatories (2014)**	**Total GDP of signatories (2014)**	**Highlights**	**Rules of Origin**
CA-EU CETA	Canada-EU Comprehensive Economic and Trade Agreement	Signed in October 2016. Will enter into force provisionally upon European Parliament's consent. Pending ratification by Canada and all EU member states for full implementation.	Canada, EU	544 million	US$20,247 billion	Over 99% of tariffs between the two economies will be eliminated, and sizeable new market access opportunities in services and investment will be created. Once implemented, the agreement is expected to increase two-way bilateral trade in goods and services by 23%.	
EU-VN FTA	EU-Vietnam Free Trade Agreement	Negotiations concluded in 2015. Pending legal review and ratification.	EU, Vietnam	599 million	US$18,647 billion	The FTA eliminates nearly all tariffs (over 99% of all tariff lines) on trade between the two parties. Other commitments include elimination of non-tariff barriers, customs and trade facilitation, liberalization of trade in services, investment and e-commerce, and behind-the-border policies, such as competition, state-owned enterprises, and labor and environmental standards.	Cumulation: 50% For garments, fabrics from the EU or Vietnam must be used, with the exception of: - fabrics produced in South Korea, another FTA partner of the EU, and - a small amount of materials not satisfying the ROO can be used in mixed fabrics under the 'tolerance rule'.
TPP	Trans-Pacific Partnership	Prospect is uncertain following US' withdrawal in January 2017.	Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, US, Vietnam	810 million	US$28,041 billion	Tariffs will be eliminated immediately for most tariff lines. The agreement also covers trade in services, investment and behind-the-border matters.	RVC (varies by product and method of calculation) or CTSH. "Yarn-forward" rule on textile and garment products.

FTAs under negotiation						
	Name of agreement	**Status**	**Current signatories**	**Total population of signatories (2014)**	**Total GDP of signatories (2014)**	**Highlights**
ASEAN-EU FTA	ASEAN-EU Free Trade Agreement	Negotiations were launched in 2007 and paused in 2009. The two sides agreed in March 2017 to revive talks	Brunei, Cambodia, EU, Indonesia, Lao, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam	1,132 million	US$20,939 billion	
BD-PK FTA	Bangladesh-Pakistan Free Trade Agreement	Under negotiation since 2003	Bangladesh, Pakistan	344 million	US$420 billion	Little progress was made as the two countries cannot resolve their differences over rules of origin and phase-out period.
BIMSTEC FTA	Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) Free Trade Area	Negotiations were formally launched in 2014 after framework agreement in 2004	Bangladesh, Bhutan, India, Myanmar, Nepal, Sri Lanka, Thailand	1,625 million	US$2,791 billion	The BIMSTEC FTA covers 14 priority areas for cooperation: trade and investment, transport and communication, energy, tourism, technology, fisheries, agriculture, public health, poverty alleviation, counter-terrorism and transnational crime, environment and natural disaster management, culture, people to people contact, and climate change.
CA-IN CEPA	Canada-India Comprehensive Economic Partnership Agreement	Under negotiation since 2010	Canada, India	1,331 million	US$3,854 billion	The 9th round of negotiation was held in 2015. A joint scoping report released in September 2010 estimates that total bilateral trade in goods and services between Canada and India can grow by over 50% or almost US$3 billion under the CEPA.
EU-CN IA	EU-China Investment Agreement	Under negotiation since 2013	EU, China	1,873 million	US$28,865 billion	The deal would improve market access, address key challenges of the regulatory environment, including those related to transparency, licensing and authorization procedures, and provide for a high and balanced level of protection for investors and their investments. The agreement will also include rules on environmental and labour-related dimensions of foreign investment.
EU-ID CEPA	EU-Indonesia Comprehensive Economic Partnership Agreement	Formal negotiation launched in 2016.	EU, Indonesia	763 million	US$19,349 billion	The CEPA could potentially eliminate 95% of current import tariffs. The partnership also focuses on capacity building and investment, which differentiates it from an FTA.
EU-IN BTIA	EU-India Bilateral Trade and Investment Agreement	Under negotiation since 2007, but negotiations have been at a de facto standstill since 2013	EU, India	1,804 million	US$20,528 billion	India and the EU have agreed to eliminate tariffs on over 90% of all tradable goods during the next 10-year period, but EU's demand on India to drastically cut tariffs on specific products remain contentious.

	Name of agreement	Status	Current signatories	Total population of signatories (2014)	Total GDP of signatories (2014)	Highlights
EU-PH FTA	EU-Philippines FTA	Negotiations formally launched in December 2015	EU, Philippines	607 million	UD$18,794 billion	The Philippines and the EU agreed to cover a broad range of issues, including elimination of customs duties and other barriers to trade, services and investment, access to public procurement markets, as well as additional disciplines in the area of competition and protection of intellectual property rights.
EU-TH FTA	EU-Thailand Free Trade Agreement	Under negotiation since 2013, but no further negotiation rounds have been scheduled since the military takeover in May 2014	EU, Thailand	576 million	US$18,834 billion	Negotiations cover tariffs, non-tariff barriers and other trade related issues, such as services, investment, procurement, intellectual property, regulatory issues, competition, and sustainable development.
IN-ID CECA	India-Indonesia Comprehensive Economic Cooperation Agreement	Under negotiation since 2011	India, Indonesia	1,550 million	US$2,955 billion	The CECA will build on the ASEAN-India FTA and will be a comprehensive agreement, covering economic cooperation, trade in goods and services, and investment.
IN-TH FTA	India-Thailand Free Trade Agreement	Under negotiation since 2000. Early harvest scheme in force since 2004.	India, Thailand	1,363 million	US$2,453 billion	India and Thailand agreed that negotiations should cover: elimination of tariffs and non-tariff barriers in substantially all trade in goods; liberalization of trade in services; investment; trade and investment facilitation measures; and economic co-operation in other mutually-agreed areas such as agriculture. Under the early harvest scheme (EHS), customs duties on 82 products were slashed by September 2006.
PK-TH FTA	Pakistan-Thailand Free Trade Agreement	Under negotiation since 2015	Pakistan, Thailand	253 million	US$648 billion	It is reported that the first phase of the FTA will only cover trade in goods, with emphasis on tariff reduction, customs procedures, and cooperation in sanitary standards and trade remedy measures. After the signing of the first phase of FTA, both countries intend to negotiate on services, investment and competition.

	Name of agreement	Status	Current signatories	Total population of signatories (2014)	Total GDP of signatories (2014)	Highlights
RCEP	Regional Comprehensive Economic Partnership	Under negotiation since 2012	Australia, Brunei, Cambodia, China, India, Indonesia, Japan, Republic of Korea, Lao, Philippines, Malaysia, Myanmar, New Zealand, Singapore, Thailand, Vietnam	3,488 million	US$22,569 billion	It will be based on the existing ASEAN+1 agreements. The 18th round of negotiations is scheduled to take place in May 2017.
TTIP	Transatlantic Trade and Investment Partnership	Under negotiation since 2013	EU, US	827 million	US$35,880 billion	The 15th round of negotiations, which took place in October 2016, put a strong emphasis on the consolidation of text. According to the negotiating text published by the EU, the final agreement would have 24 chapters covering four parts – market access, regulatory cooperation, rules, and institutional arrangements.

Glossary:

CTH: Change in tariff heading. The non-originating materials have undergone a change in tariff classification (CTC) at 4-digit level (i.e. a change in tariff heading) of the Harmonized System.

CTSH: Change in tariff sub-heading. The non-originating materials have undergone a change in tariff classification (CTC) at 6-digit level (i.e. a change in tariff sub-heading) of the Harmonized System

FOB: Free on board. The buyer pays for transportation of the goods

LDC: Least Developed Countries. Includes Bangladesh and Cambodia in the selected countries in the present matrix.

MFN: Most favoured nation. An MFN tariff is the lowest possible tariff a country can assess on another country. Members of the World Trade Organization are required to extend most favored nation status to other members.

RVC: Regional value content. A type of rule of origin that requires a product to include a certain percentage of originating content from the region.

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