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Entering the RTA Universe: Implications and Policy Options for Developing Economies

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**Workshop on Identifying and Addressing
Possible Impacts of RTAs/FTAs Development on
APEC Developing Member Economies
Hanoi, Viet Nam
28-30 June 2005**

Entering the RTA Universe: Implications and Policy Options for Developing Economies

Kati Snominen, Consultant*
Inter-American Development Bank

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*All notes expressed herein are strictly those of the presenter alone.

Motivation

- Developing economies have joined the global and regional trade regimes *en masse* over the past decade
 - However, the effects of RTAs on trade creation and developing economy incomes are not uniform
- Keys to making RTAs work include
 - The design of RTAs (built-in commitments)
 - Comprehensiveness and quality of implementation
 - The overall policy environment, such as level of external tariffs and trade costs
- However, these are often developing economies' Achilles' heels → how to turn weaknesses into strengths?

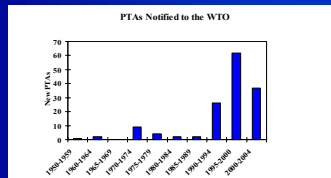
Organization

- I. Rise of New Regionalism and developing economies
- II. Some impacts of RTAs on developing economies
- III. Harnessing RTAs' potential: tackling the Achilles' heels
 - Designing and negotiating RTAs
 - Implementing RTAs
 - Enabling RTAs: fostering the trading environment
- IV. Thinking big:
 - Thinking beyond trade: RTAs as platforms for further cooperation
 - Thinking global: APEC and Doha as organizing principles for RTAs

I The Rise of New Regionalism

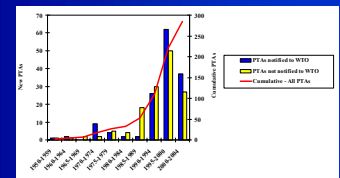
- Proliferation of RTAs and developing economies
- Key features of New Regionalism

Proliferation of RTAs: Major Surge Since the 1990s



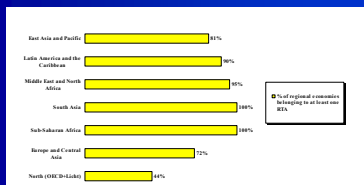
Source: WTO

Proliferation of RTAs: Approaching the 300 Mark



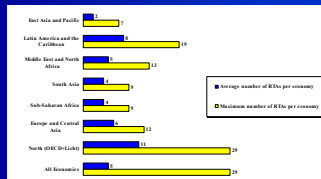
Source: WTO and author's calculations based on World Bank, Global Economic Prospects 2005

Most Developing Economies Belong to At Least One RTA



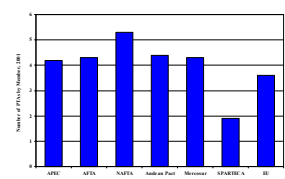
Source: Data in World Bank Global Economic Prospects 2005

Gone RTA Shopping: Many Developing Economies Belong to Many RTAs



Source: Data in World Bank Global Economic Prospects 2005

Implication: "Multiple Loyalties" RTA Partners Often Belong to Many RTAs



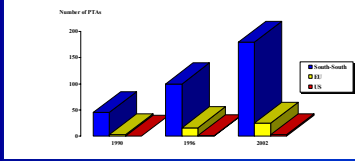
Source: IASDB

*The bulk of RTAs are formed
by developing economies*

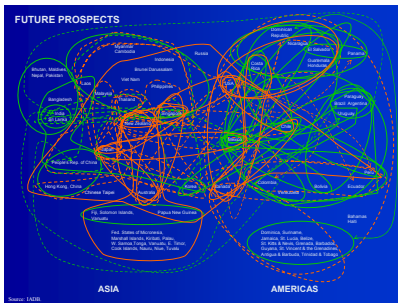
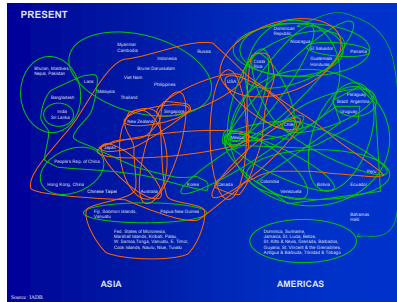
A 3D bar chart titled 'Number of FTAs' on the y-axis, which ranges from 0 to 200 in increments of 50. The x-axis shows three years: 1990, 1996, and 2002. For each year, there are three bars representing different growth categories: 'World Growth' (blue), '<1%' (yellow), and '>1%' (red). The blue bars are the tallest in each group, followed by the yellow bars, and then the red bars. The height of all bars increases significantly from 1990 to 2002.

Year	World Growth	<1%	>1%
1990	~50	~20	~10
1996	~100	~40	~20
2002	~180	~60	~30

Source: World Bank.



Source: World Bank.



Features of New Regionalism

- Unlike RTAs in the past, RTAs formed since the early 1990s are marked by:
 - Deep and rapid liberalization
 - Comprehensive liberalization (coverage of sectors)
 - Comprehensiveness of issues (coverage of trade disciplines)
- RTAs universe: largely WTO compatible and WTO+
 - RTA liberalization has been accompanied by MFN liberalization (non-discrimination à la APEC principles)
 - RTA commitments often go beyond WTO commitments

-
- Depth and Comprehensiveness of RTA Liberalization in the Americas**
- Percentage of items free by 2005
- | Country | Percentage of items free by 2005 |
|--------------------|----------------------------------|
| Honduras | 55 |
| El Salvador | 65 |
| Costa Rica | 68 |
| Mexico | 70 |
| Guatemala | 72 |
| Mexico II | 75 |
| Mexico III | 78 |
| Colombia | 80 |
| Chile | 82 |
| Chile II | 85 |
| Chile III | 88 |
| Chile IV | 90 |
| Chile V | 92 |
| Chile VI | 95 |
| Chile VII | 98 |
| Chile VIII | 100 |
| Chile IX | 100 |
| Chile X | 100 |
| Chile XI | 100 |
| Chile XII | 100 |
| Chile XIII | 100 |
| Chile XIV | 100 |
| Chile XV | 100 |
| Chile XVI | 100 |
| Chile XVII | 100 |
| Chile XVIII | 100 |
| Chile XIX | 100 |
| Chile XX | 100 |
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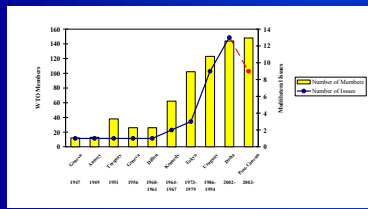
New Regionalism RTAs are Comprehensive in Coverage

PTA	Services	Investment	Standards	ITR	Competition Policy	Labour	Transport	Customs Coop.	Dispute Sett.
U.S.-Chile	+	+	+	+	+	+	+	+	+
U.S.-Singapore	+	+	+	+	+	+	+	+	+
U.S.-Australia	+	+	+	+	+	+	+	+	+
U.S.-EFTA	+	+	+	+	+	+	+	+	+
European Union	+	+	+	+	+	+	+	+	+
Latin America	+	+	+	+	+	+	+	+	+
Asia-Pacific	+	+	+	+	+	+	+	+	+
U.S.-Mexico	+	+	+	+	+	+	+	+	+
U.S.-New Zealand	+	+	+	+	+	+	+	+	+
U.S.-Korea	+	+	+	+	+	+	+	+	+
U.S.-Japan	+	+	+	+	+	+	+	+	+
U.S.-Canada	+	+	+	+	+	+	+	+	+
U.S.-EU	+	+	+	+	+	+	+	+	+
U.S.-ASEAN	+	+	+	+	+	+	+	+	+
U.S.-APEC	+	+	+	+	+	+	+	+	+
U.S.-Latin America	+	+	+	+	+	+	+	+	+
U.S.-Asia-Pacific	+	+	+	+	+	+	+	+	+
U.S.-Africa	+	+	+	+	+	+	+	+	+
U.S.-Middle East	+	+	+	+	+	+	+	+	+
U.S.-Central America	+	+	+	+	+	+	+	+	+
U.S.-Caribbean	+	+	+	+	+	+	+	+	+
U.S.-Pacific Islands	+	+	+	+	+	+	+	+	+
U.S.-South America	+	+	+	+	+	+	+	+	+
U.S.-Africa	+	+	+	+	+	+	+	+	+
U.S.-Middle East	+	+	+	+	+	+	+	+	+
U.S.-Central America	+	+	+	+	+	+	+	+	+
U.S.-Caribbean	+	+	+	+	+	+	+	+	+
U.S.-Pacific Islands	+	+	+	+	+	+	+	+	+
U.S.-South America	+	+	+	+	+	+	+	+	+
U.S.-Africa	+	+	+	+	+	+	+	+	+
U.S.-Middle East	+	+	+	+	+	+	+	+	+
U.S.-Central America	+	+	+	+	+	+	+	+	+
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U.S.-Pacific Islands	+	+	+	+	+	+	+	+	+
U.S.-South America	+	+	+	+	+	+	+	+	+
U.S.-Africa	+	+	+	+	+	+	+	+	+
U.S.-Middle East	+	+	+	+	+	+	+	+	+
U.S.-Central America	+	+	+	+	+	+	+	+	+
U.S.-Caribbean	+	+	+	+	+	+	+	+	+
U.S.-Pacific Islands	+	+	+	+	+	+	+	+	+
U.S.-South America	+	+	+	+	+	+	+	+	+
U.S.-Africa	+	+	+	+	+	+	+	+	+
U.S.-Middle East	+	+	+	+	+	+	+	+	+
U.S.-Central America	+	+	+	+	+	+	+	+	+
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U.S.-Pacific Islands	+	+	+	+	+	+	+	+	+
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U.S.-Africa	+	+	+	+	+	+	+	+	+
U.S.-Middle East	+	+	+	+	+	+	+	+	+
U.S.-Central America	+	+	+	+	+	+	+	+	+
U.S.-Caribbean	+	+	+	+	+	+	+	+	+
U.S.-Pacific Islands	+	+	+	+	+	+	+	+	+
U.S.-South America	+	+	+	+	+	+	+	+	+
U.S.-Africa	+	+	+	+	+				

[illegible]

Also WTO membership and complexity is growing—but RTAs may be able to handle more issues!

Year	WTO Members (Left Axis)	Number of Issues (Right Axis)
1947	~10	~1.0
1950	~10	~1.0
1955	~25	~1.0
1960	~20	~1.0
1965	~20	~1.0
1970	~45	~1.5
1975	~60	~2.5
1980	~100	~4.0
1985	~125	~10.0
1990	~140	~12.0
2003	~145	~10.0



RTA-WTO Compatibility

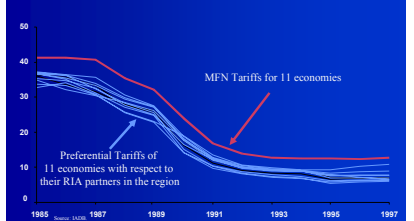
Fast preferential liberalization + simultaneous MFN liberalization in Latin America

MFN Tariffs for 11 economies

Preferential Tariffs of 11 economies with respect to their RTA partners in the region

1985 1987 1989 1991 1993 1995 1997

Fast preferential liberalization + simultaneous MFN liberalization in Latin America



Further Compatibilities

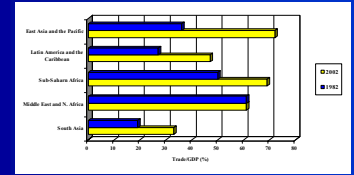
RTA progress on various issue areas are inherently good not only for (and for trading with) the RTA partners, but for *ALL* trading partners

- Trade facilitation
- Harmonization and “internationalization” of standards
- Services liberalization, etc.

Some Implications of the RTA-Multilateral Interplay

- Average tariffs in developing economies have dropped from 29.9 percent in 1983 to 9.3 percent in 2003 (Martin and Ng 2004)
 - Trade is increasingly relevant for developing economies
 - policies surrounding trade increasingly relevant
- Proliferation of RTAs + global MFN liberalization = RTA tariff preferences are eroding
 - However, RTAs are still deep and go well beyond tariff liberalization—and also often beyond the WTO commitments

Growing Relevance of Trade for Developing Economies



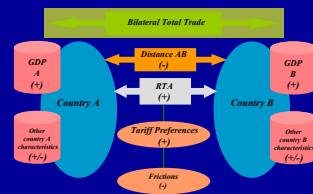
Source: World Bank.

II Effects of RTAs/FTAs on Developing Economies: What Does Research Say?

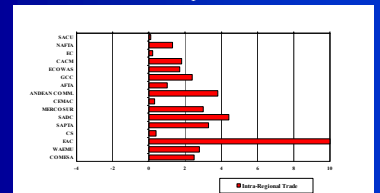
- Effects vary over time: short-term static vs. long-run dynamic effects
- Overall, good things go together: RTAs with increased intra-RTA trade also tend to have an increase in total external trade
- RTAs give a boost to bilateral/intra-regional trade
 - However, the extent of RTA boost varies across RTAs and RTA members
 - Some RTAs may risk trade diversion
- RTAs can have several long-run benefits
 - Investment
 - TFP
 - Security, etc.

[NOTE! Empirical research on the effects of the various RTA disciplines is very nascent!]

The RTA Boost to Trade: Recall the Gravity Model



The RTA Boost Varies across RTAs, ceteris paribus



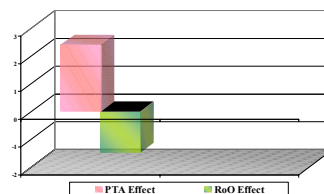
Note: The bars show the estimated exponential impact on trade, in the magnitude of the dummy variables capturing the extent to which international trade differs from the “natural” level predicted by the gravity model on the basis of economic size, proximity, and various institutional and historical variables, such as a common language.

Source: World Bank, Global Economic Prospects 2000.

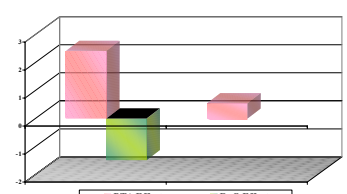
Why Does RTA Boost Vary across RTAs?

- Extent and depth of RTA liberalization
 - Exclusions/exemptions?
- Type of RTA commitments
 - Recall! Restrictiveness of rules of origin
 - Liberalization of services?
 - Harmonization of standards?
 - Cooperation on conformity assessments?
 - Trade facilitation commitments?
 - Investment provisions?
- Effectiveness of RTA implementation
- External policy frictions that may not be controlled for
 - For example: high MFN tariff → access to cheap intermediate goods

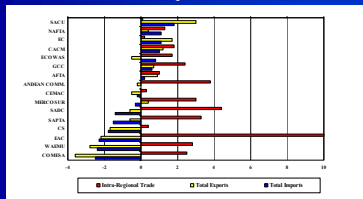
Trade Effects of RTAs with Rules of Origin



Trade Effects of RTAs with Rules of Origin



But Do RTAs Create (or Divert) Trade, ceteris paribus?



Note: The bars show the estimated percentage impact on trade, or the magnitude of the dummy variable, ceteris paribus, the effect on intra-regional trade, on total exports and overall exports after controlling for the gravity model on the basis of domestic size, distance, and relevant institutional and institutional variables, such as a common language. Source: World Bank, *Global Economic Prospects 2005*.

Why Might RTAs Divert Trade?

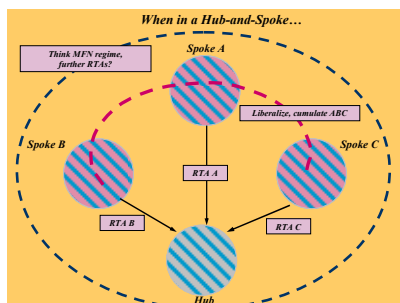
- High external barriers = MFN tariffs
 - “Clubbishness” of the RTA: keeping outsiders out
 - Recall: restrictive RoO in final goods → potential trade diversion in intermediate goods
 - Some temporary issues not controlled for, e.g. simultaneous exchange rate appreciations among RTA partners
- Risks of trade diversion: getting bogged down to a sub-optimal equilibrium
- If trade centers on “regional goods” that ROW does not demand => vulnerability to ebbs in demand in the regional partner
 - Missing out of opportunities to integrate into global production chains

Some Dynamic Effects

- Evidence: RTAs can impart long-term benefits—and benefits in high demand in developing economies
 - Growth of FDI, esp. when RTA market is large
 - TFP growth, esp. when RTA provides for tech and knowledge diffusion (such as trade in knowledge-intensive goods)
 - Security and peace, esp. when trade gains are large
 - Intangibles: domestic policy credibility, mutual trust
- However, RTAs are not a silver bullet nor a substitute for domestic policies! Rather, they can cement and boost the gains from healthy domestic policies

Some Further Issues on RTA Boost: N-S or S-S Integration?

- N-S potential benefits:
 - Economic complementarities
 - Services liberalization
 - Acquisition of international standards
 - Sturdy implementation
 - Possibilities for technical cooperation
 - Can boost credibility of domestic policy reforms
 - Likely lower *ex-ante* trade costs
 - Likely larger *ex-post* market
- However:
 - Often exemptions in agriculture
 - Risks of hub-and-spoke system
- S-S potential benefits:
 - Potentially lighter implementation agenda
 - Gains from trade opening great if high *ex-ante* tariffs
 - Major potential gains from trade facilitation
 - Helps avoid hub-and-spoke traps
- However:
 - Often small and similar markets
 - Often high external tariffs
 - Services lib. less effect?
 - Implementation?
 - Often high trade costs



Some Further Issues: In Which Order? Sequencing Integration

- Sequencing commitments with RTA partners:
 - Trade + investment + services liberalization = potentially powerful combination
 - In general: the more different policy barriers cut at once, the better—BUT as long as there is capacity to implement it all!
- Sequencing RTAs (and MFN regime):
 - Recall: RTA preferences are eroding
 - However, remaining outside RTAs can be risky—plus recall RTAs' benefits beyond market access
 - But also note: “getting in” is not enough!
 - Smart choice of partners
 - Beware hub-and-spoke systems: keep liberalizing with ROW
- **Implications: need to work on all fronts—home, RTAs, and multilateral—at once**

In Sum: What's Good for Welfare?

- Most studies concur: multilateral liberalization is the most welfare-enhancing trade policy option
- However, based on open regionalism (= RTA + MFN tariff lowering), RTAs can be very potent!
 - Moreover, RTAs can help developing economies *adhere and adjust* to multilateralism—and foster their capacity to *participate in and shape* multilateral liberalization

III Preparing to Integrate

- RTAs carry numerous disciplines → require capacity to *design, negotiate and implement*
- RTAs have economic effects → require capacity to *adjust*
- RTAs generate new opportunities → require
 - Capacity to *create an enabling environment* for RTAs
 - Capacity to *take advantage* of new opportunities

Designing and Negotiating RTAs

Designing RTAs: Some Potential Ideas

- **Think comprehensive**
 - Interplay of RTA disciplines with tariff liberalization can add to the trade boost
 - A repertoire of disciplines = conducive to issue-linkages in negotiation stage
 - However, if going "all-inclusive", pay attention to the details of each discipline with care
 - RoO
 - AD rules
 - Subsidies
 - IPB
 - Coverage of investment and services provisions
- **Think global**
 - Build provisions on WTO compatibility into the RTA
 - Adherence to GATT Art. XXIV
 - Adherence to Customs Valuation Code
 - Permission for all parties to form RTAs with third parties, etc.
 - Build compatibilities with prior RTAs and with multilateral agreements
- **Think forward**
 - Build implementation mechanism and agenda in the agreement
 - Future revisions of the RTA: mechanisms for future consultations ad/or sunset clauses might be good in some areas (such as RoO)

Getting Ready to Negotiate: Knowledge Is Power

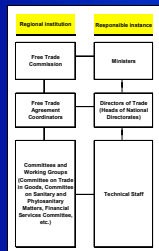
- Master the manifold trade disciplines
- Understand the Harmonized System
- Know your home turf: domestic production processes and economic data
- Know your prior RTA and WTO commitments
- Consult with and include the private sector
- Build domestic political support = inform and include the entire government and the public at large
- Prepare early: build a system to monitor the implementation of RTA commitments

Implementing RTAs

Implementing RTA Commitments

- RTAs require **MONITORING** = institutions and processes to ensure that RTA obligations will be implemented
- Note! Many S-S RTAs in particular have floundered due to lack of effective implementation
- Monitoring has several benefits
 - Institutionalized channel to ensure agreements translate into reality, to put out day-to-day fires early, and adjust the agreement, if necessary
 - Helps monitoring of multilateral commitments, as well
 - Feeds into future RTA negotiations
 - Well-implemented agreements are conducive to further cooperation with the partner
- Good news: you can build monitoring mechanisms in the RTA

Example: CAFTA Monitoring Mechanism



What Do Monitorers Do?

Some preliminary insights from Latin America

Monitoring is multifaceted

- **Coordination**: Monitorers coordinate
 - the manifold other domestic agencies involved in the implementation and/or administration of the RTA
 - the meetings of the commissions, committees and/or technical working groups both at the domestic level and with the partner countries
 - the agendas and actions of the other regional economies in the case of RTAs commonly negotiated with third parties
- **Verification**: Monitorers verify that the domestic agencies and the partner country comply with the provisions of the common agreement
- **Communication**: Monitorers are becoming lobbyists and communicators for trade
- **Coaching**: Monitorers help traders understand and implement RTA commitments (origin certificates, standards, etc.)

Some Keys to Effective Monitoring

Some preliminary lessons from Latin America

- **Rigorous and clear pre-defined monitoring agenda**
- **Preparedness to negotiate**
 - The better the preparedness to negotiate a (realistic and good) agreement, the smoother the monitoring process tends to be
- **High-quality monitoring staff**
 - Trained on modern trade disciplines, preferably through having participated in trade negotiations
 - Flexible = able to rapidly "switch gears" (esp. when human resources scarce)
 - Able to work horizontally across trade disciplines
 - Able to work vertically across hierarchical functions
 - Marked by continuity over time
- **High-quality implementers**
 - Good customs
 - Well-trained staff across the government (ministries of agriculture, health, labor, finance, etc.)

Keys to Effective Monitoring Cont.

- **Centralization of coordination tasks and information flows** in the monitoring unit
- **Tie-breaker**: a strong decision-making nucleus within the executive branch to break political logjams between agencies
- **Credible trade partner**
 - Partners with high domestic technical and political capacities to implement agreements
 - Partners with economic weight: constitute an important share of the trade flows of their partners

Room for Peer Reviews?

Example: EU's Single Market Scorecard

- **Measures**:
 - The extent to which Single Market directives have been transposed into national law by each member state
 - The average time it takes each member to transpose directives
 - The extent to which members are cooperating with enforcement and problem solving

Harnessing RTAs' Potential: Addressing Trade Costs

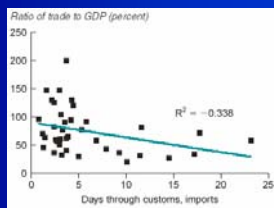
RTAs amid High Trade Costs

- Although RTAs eradicate **POLICY BARRIERS**, trade costs often continue holding back the economic benefits, particularly in developing economies
- Consider:
 - Customs procedures
 - Bureaucratic costs
 - Documentation (getting stamps and signatures)
 - Backlog and delays
 - Transport costs
 - Direct (freight and insurance)
 - Indirect (inventory costs)
 - Divergent national standards for transport operators (trucking etc.)
 - Regulatory costs
 - National product standards
 - Technical regulations
 - Costs of insurance against risk

What Do Trade Costs Do?

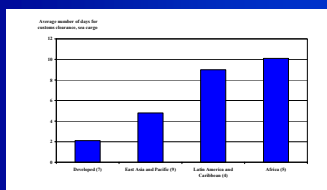
- Trade *within* national borders is still much greater than trade *across* borders—even where policy barriers and trade costs are low (EU economies, Canada, etc.) = indicative of the presence of trade costs
- The tax equivalent of trade costs can range between 30 and 105 percent, depending on the sector (Anderson and van Wincoop 2004; Evans 2001)
- High trade costs discourage investment and undercut the integration of local firms into global production chains (Faini 2004)
- In sum: trade costs are today costlier than trade policy barriers = trade can be markedly boosted through addressing trade costs*

Long customs clearance → less trade



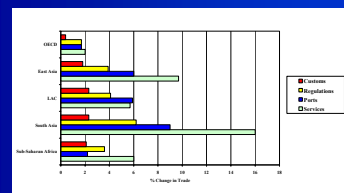
Source: World Bank Global Economic Prospects 2003 on the basis of Investment Climate Survey data and Global Trade as cited in Schottman and others 2003

Customs clearance is long in developing economies



Source: Wilson (2004) based on International Exhibition Logistics Association and World Bank Global Economic Prospects 2004

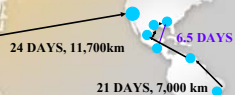
But customs is not the only thing! Trade Gains from Reforms, by Region



Source: Wilson, Mann and Otsuki (2003)

And logistics quality and scale matter, as well!

Ocean shipping times



Source: IACSB (2004)

Cutting Trade Costs: Major Economic Benefits

- The benefit of lowering trade transaction costs (reducing insecurity, integrating services sectors, increasing competition) are several times greater than tariff reductions (Hoekman and Konan 1999)
- Further examples
 - E-commerce: 10 % increase web hosts ↔ trade up 1% (Freund and Weinhold)
 - Communications: 10% decrease in telecom costs ↔ trade up 8% (Fink, Mattoo, Nungu)
- The estimated annual global savings if developing countries were to reduce by an average of one day the time spent handling all of their trade = US\$240 billion (Hummels 2001)

What to Do? Trade Facilitation!

- Challenge: breaking the vicious cycle of high trade cost → low trade → high trade costs
- Trade facilitation is the key!
 - Reduce transport costs
 - Improve ports facilities
 - Streamline and modernize customs regimes
 - Insert transparency and harmonize standards and regulations
 - Improve information technologies

Manifold Benefits in the RTA Context

- **Good news 1:** trade facilitation is inherently good for open regionalism (= lower trade costs help trading on ALL fronts with ALL partners)
- **Good news 2:** trade facilitation impacts DOMESTIC benefits
 - Improvements in standards can raise health and safety levels
 - Better logistics can facilitate transactions across the economy
- **Good news 3:** RTA formation and trade facilitation can be complementary
 - The lower the trade costs, the greater the economic opportunities generated by RTAs (and by all trade liberalization)
 - Trade liberalization can increase 1. political pressure for lowering transport costs and 2. incentives to invest in fostering transport and trade facilitation services

[Note! Border and port security requirements of the 21st century can be and can be made a win-win situation for trade facilitation: even if costs were higher, economic benefits from focused inspections, uses of technology, and lowered risk perception can be significant]

Using RTAs to Facilitate Trade

- Collective reduction of trade costs is found to have a greater positive effect to trade than unilateral measures
[Note! Landlocked economies tend to inherently require regional solutions to trade costs!]
- **Good news 4:** RTAs can contain trade facilitation instruments
 - Built in transport and trade facilitation (TTF) agreements
 - Harmonization of standards and technical regulations
 - Joint improvements in standards and conformity assessment systems
 - Integration and competition in services
 - Customs cooperation
 - Simplification and harmonization of procedures = automation, single customs document
 - Adherence to the WTO Customs Valuation Agreement = mutual assistance, databases
 - Transparency and information = availability of the legal texts, regulations, statistics
 - Joint border posts
 - Joint training centers
 - Technical assistance (esp. in N-S RTAs)
- **Good news 5:** APEC has ready expertise in trade facilitation

In Sum: RTA Issues for Developing Economies

- Although intra-RTA tariffs have been brought down with New Regionalism, some policy barriers remain, such as RoO and exceptions
- Signing a RTA = ONLY THE BEGINNING of long work to heal the Achilles' Heels of developing economies
 - RTA implementation
 - Trade facilitation
- North-South RTAs can be of particular help in the process
 - Enforcement
 - Technical assistance
 - Lowering trade costs, etc.
- **BUT recall: if in hub-and-spoke N-S system**
 - MFN liberalization likely all the more important
 - Seek compatibilities between your RTAs
- S-S liberalization is good already because developing economies still have higher barriers
- Preferences are eroding AND RTAs are not the silver bullet:
 - boost competitiveness at home
 - seek MFN opening
 - think comprehensive WTO+ RTAs plus trade facilitation

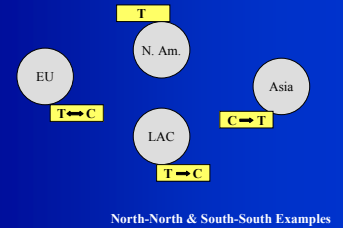
IV Think Big

- Thinking beyond trade: using RTAs for further cooperation
- Thinking globally: using APEC and WTO system as organizing principles

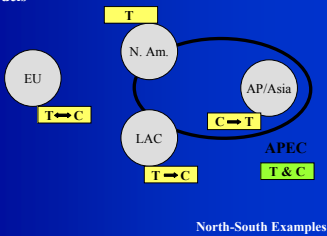
Thinking beyond Trade

- RTAs EVOLVE => can lead (and can be made to lead) to trade-related and other cooperation
 - RTAs help routinize interactions among partners, building trust and facilitating the pursuit of further goals
 - RTAs generate an infrastructure for cooperation: negotiations, implementation, common institutions can serve as a platform for further cooperation
 - RTAs *per se* may increase demand for other forms of cooperation by producing positive and negative externalities
- RTAs can be conducive in the production of REGIONAL PUBLIC GOODS (RPGs)—think, in turn, can boost the RTA boost
 - Macroeconomic coordination
 - Financial integration
 - Transport networks
 - Energy grids
 - Regional environmental protection
 - Common watersheds and fishing areas
 - Security cooperation, etc.
- APEC's institutional infrastructure can be used to deliver more "C" for the production of RPGs

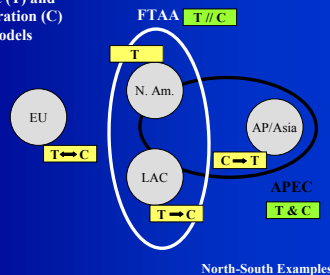
Trade (T) and Cooperation (C) Models



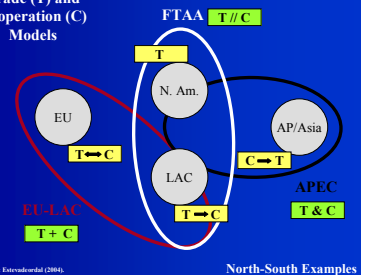
Trade (T) and Cooperation (C) Models



Trade (T) and Cooperation (C) Models



Trade (T) and Cooperation (C) Models



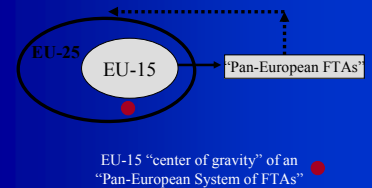
T and C Linkages

MODEL:	T	✱	C
Regional Initiative	Objectives and Degree of Deepening T	Relationship between T and C: Instit. Dev.	Objectives and Degree of Regional C
EU T ↔ C	"Full" T Integration	"High" Institutional "Community Way" "Multilevel Issue"	RPGs
FTAA (Summit) T // C	"Classical" FTA +	"Low" Institutional	GPGs
APEC T & C	Open Regionalism Principles	"Medium" Institutional	Mix RPGs and GPGs

Thinking Global

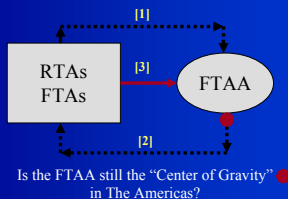
- APEC: can be a powerful organizing principle for the Asia-Pacific RTAs, including through explicit commitments to open regionalism = sorting out the RTA spaghetti!
- WTO: Compatibility of RTAs and global trade system can be boosted in Doha
 - MFN tariff lowering
 - Improved multilateral monitoring of RTAs
 - Could "shame" violators into adherence
 - Could help developing countries keep track of their RTAs and rectify "implementation deficits"

APEC: Challenges and Opportunities Role of FTAs in European Expansion



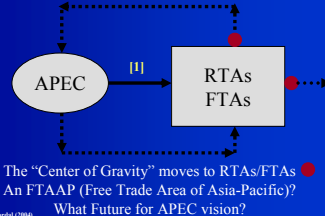
Source: Estevadeordal (2004).

APEC: Challenges and Opportunities Regional Integration in the Americas: The Role of the FTAA



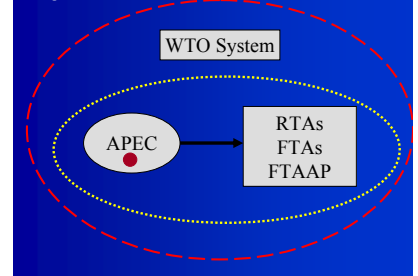
Source: Estevadeordal (2004).

APEC: Challenges and Opportunities Regional Integration in Asia-Pacific: Achieving APEC vision?



Source: Estevadeordal (2004).

Perhaps?



Some References

Estevadeordal A. and K. Suominen, "Sequencing RTAs: Trade, Cooperation and Regional Public Goods" (2005, in progress)

Inter-American Development Bank (2003) *Beyond Borders: The New Regionalism in the Americas*. Washington, D.C.

Entering the RTA Universe: Implications and Policy Options for Developing Economies

Kati Suominen, Consultant*
Inter-American Development Bank

International Workshop on
Identifying and Addressing Possible Impacts of FTAs/RTAs Development
on APEC Developing Member Economies
Hanoi, Viet Nam
26-30 June 2005

*All views expressed herein are strictly those of the presenter alone.