



**Asia-Pacific
Economic Cooperation**

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Regional Trade Agreements: Scope and Impacts

Submitted by: OECD



**Free Trade Area of Asia-Pacific Capacity
Building Workshop on Competition Policy:
Sharing Good Examples of Free Trade
Agreements and Economic Partnership
Agreements
Puerto Varas, Chile
24 August 2019**



REGIONAL TRADE AGREEMENTS: SCOPE AND IMPACTS

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**FTAAP Capacity Building Workshop:
Sharing good examples of FTAs/EPAs
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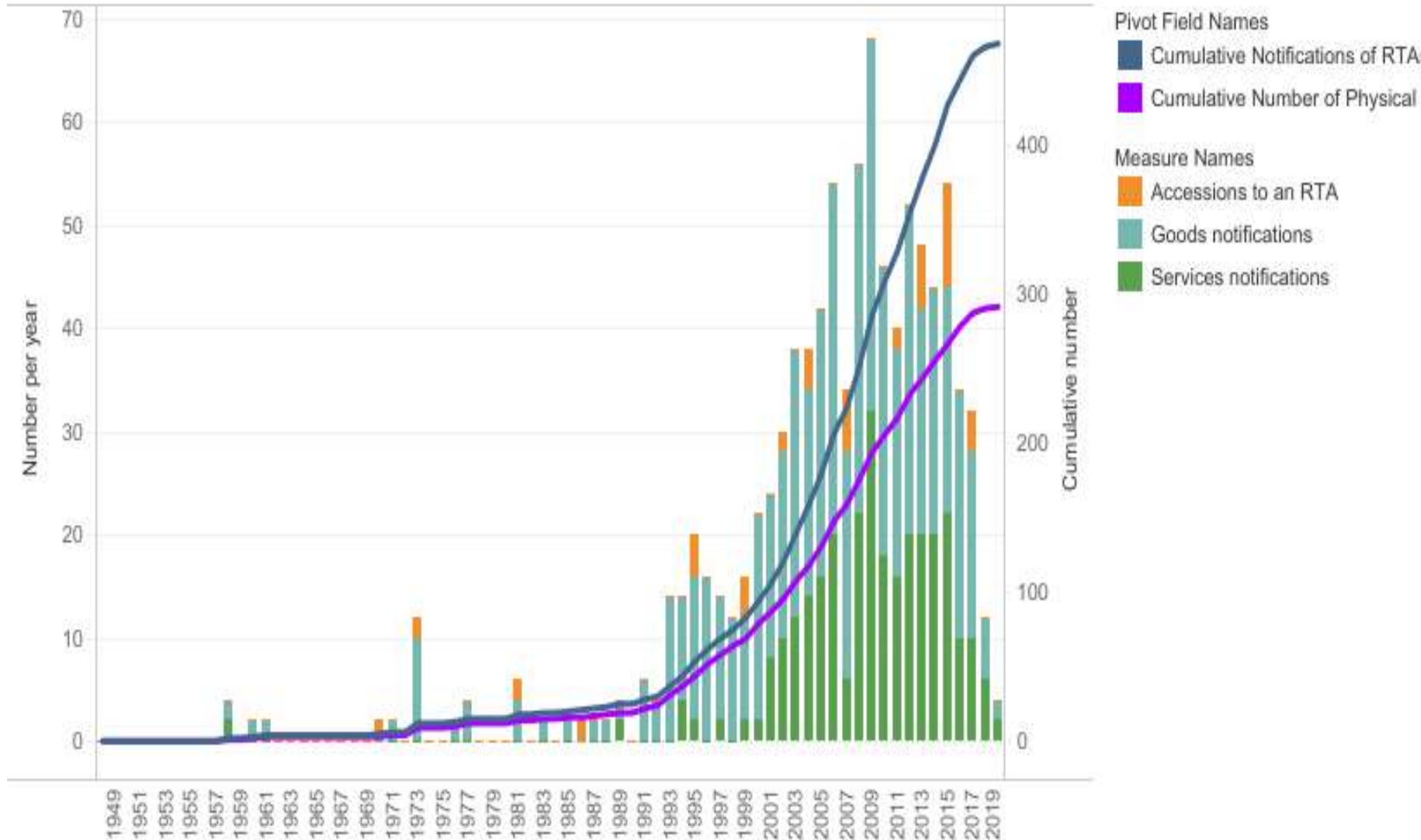


Introduction

- Regional trade agreements (RTAs) are a means of reducing trade costs, increasing trade flows, and spurring inclusive economic growth
- Comprehensive and progressive RTAs are developing in ways that go beyond existing WTO rules, but...
- Elements could serve as “building blocks” to future international trade policy-making.
- OECD research has found that regional provisions in WTO-plus measures have become more widespread and similar over time.



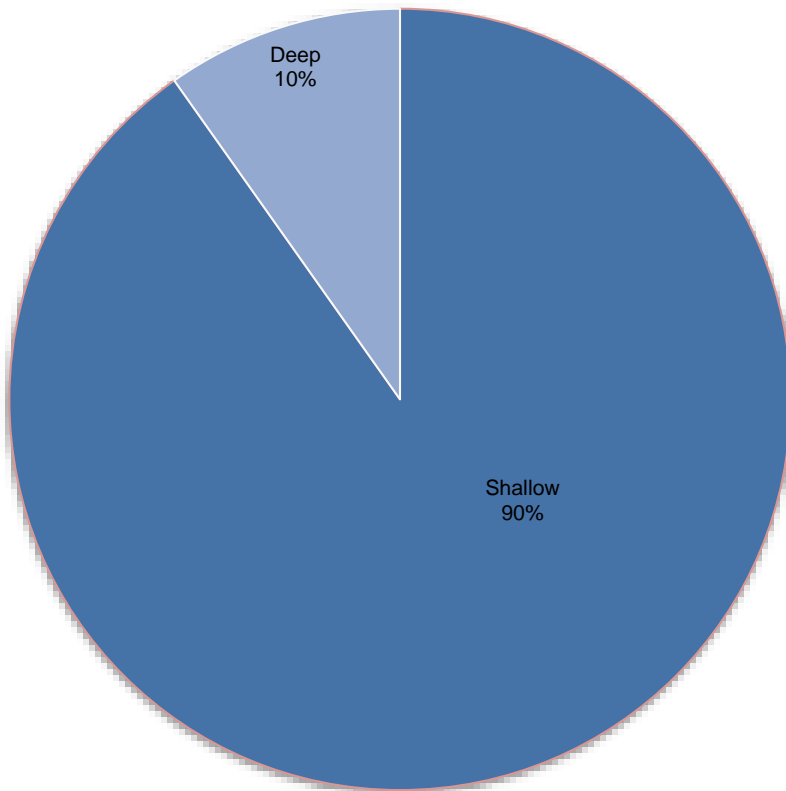
Regional Trade Agreements



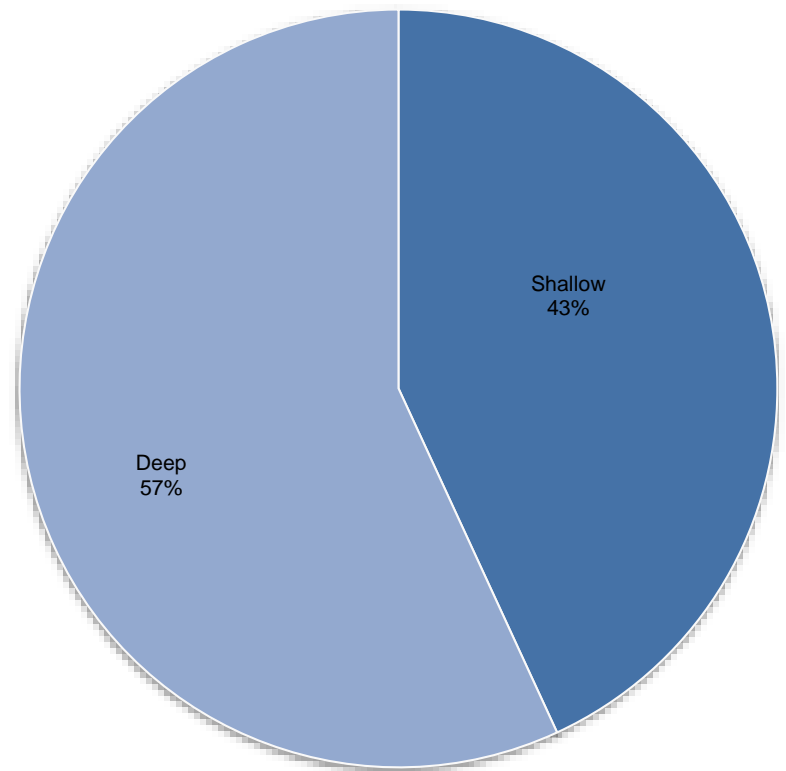


Share of Deep and Shallow RTAs

Pre-WTO RTAs



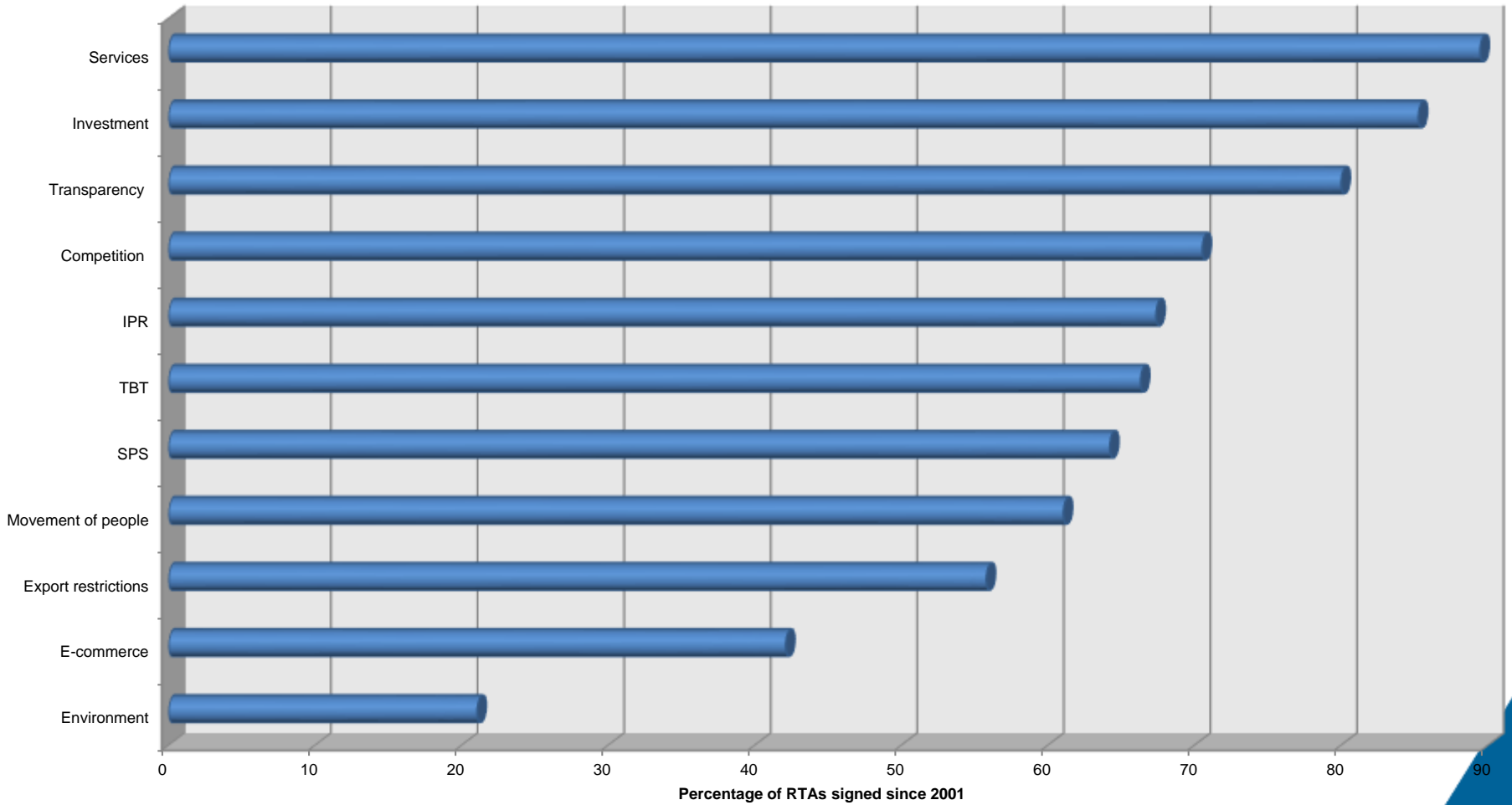
21st Century RTAs



Source: OECD, based on OECD RTAs Website



Deep RTAs by Policy Area





RTAs with competition provisions

Andean Community	Bolivia, Colombia, Ecuador, and Peru
Caribbean Community	Antigua and Barbuda, The Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, Saint Lucia, Saint Kitts and Nevis, Saint Vincent and the Grenadines, Suriname, Trinidad and Tobago
Central African Economic and Monetary Community	Cameroon, the Central African Republic, Chad, Equatorial Guinea, Gabon, the Republic of the Congo
Common Market for Eastern and Southern Africa	Burundi, the Comoros, the Democratic Republic of Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Libya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Swaziland, Tunisia, Somalia, Uganda, Zambia, Zimbabwe
East African Community	Burundi, Kenya, Rwanda, South Sudan, United Republic of Tanzania, Uganda
Eurasian Economic Union	Armenia, Belarus, Kazakhstan, Kyrgyzstan, Russia
Economic Union of West African States	Benin, Burkina Faso, Cape Verde, Ivory Coast, Gambia, Ghana, Guinea, Guinea Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone, Togo
European Free Trade Association	Iceland, Liechtenstein, Norway, Switzerland (Switzerland is an EFTA member but it is not part of the EEA)
European Union	Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, United Kingdom
Southern Common Market	Argentina, Brazil, Paraguay, Uruguay, Venezuela ²
West African Economic and Monetary Union	Benin, Burkina Faso, Ivory Coast, Guinea Bissau, Mali, Niger, Senegal, Togo



RTAs as a vehicle to promote GRPs and IRC

Traditional GRP provisions building on TBT and SPS disciplines

- Integrating or deepening WTO Agreement provisions on transparency and adoption of international standards. Including through specific TBT or SPS chapters. Not new

Specific provisions related to IRC mechanisms

- Encouraging harmonisation, mutual recognition and equivalence, use of international standards, transparency, *inter alia*. Not new

Sector-specific annexes or chapters

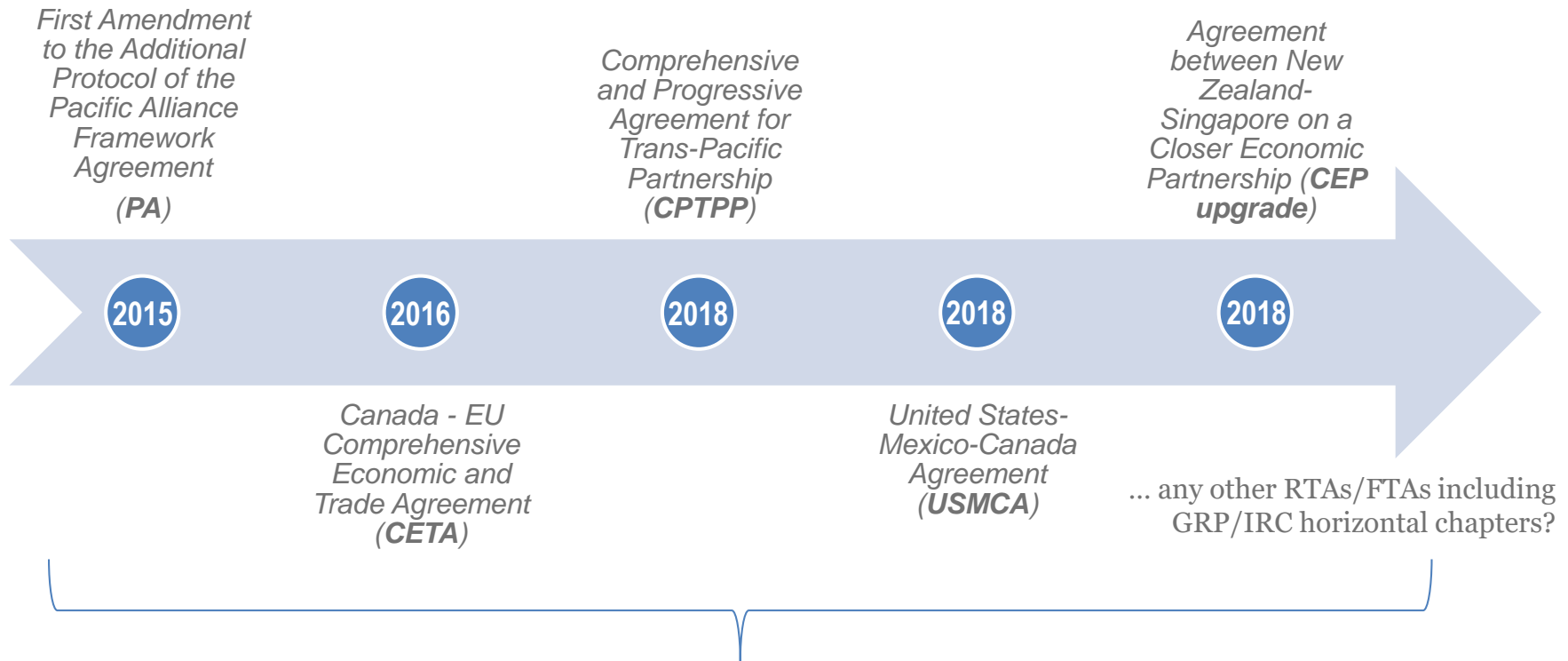
- Increasing regulatory cooperation in specific areas: medical devices, pharmaceutical products, cosmetic products, *inter alia*

Horizontal chapters on GRPs and/or IRC

- Focusing on promoting good regulatory practices across sectors and regulatory cooperation among parties – relatively recent



RTAs/FTAs as a vehicle to promote GRPs and IRC: horizontal chapters





Horizontal GRP/IRC chapters in RTAs: initial findings

Scope	<ul style="list-style-type: none">• Trade focus (i.e. CETA, CPTPP and PA) <i>vs.</i> broader definition of regulatory measures (NZ-Singapore CEP upgrade and USMCA)• Positive list approach (i.e. CPTPP and PA) <i>vs.</i> pre-set regulatory instruments
Purpose	<ul style="list-style-type: none">• Horizontal chapters involving economies with strong GRP disciplines venture further into IRC• Other chapters try to encourage adoption of a minimum level of good regulatory practices (i.e. CPTPP and PA)
Legal standing	<ul style="list-style-type: none">• Best-endeavour language. Some Chapters are subject to dispute settlement mechanisms



Horizontal GRP/IRC chapters in RTAs: initial findings

GRP mechanisms promoted

- Good alignment with OECD Recommendation on Regulatory Policy and Governance and APEC/OECD Checklist on Regulatory Reform
- Move beyond traditional GRP areas seen in RTAs/FTAs (transparency, RIA):
 - Going further: Ex-post evaluation, regulatory oversight and IRC
- Some areas of the 2012 OECD Recommendation not covered:
 - organisation of regulatory agencies,
 - risk and regulation
 - regulatory capacity at sub-national level,
 - regulatory enforcement



Horizontal GRP/IRC chapters in RTAs: initial findings

IRC mechanisms promoted

- Several IRC mechanisms identified in the 2013 OECD typology are strongly embedded:
 - Exchange of information (including on enforcement and compliance)
 - Use of international standards
 - MRAs
 - Participation in international *fora*
- Move into “2.0 IRC mechanisms” (CETA)
 - Joint RIA
 - Development of joint standards and regulations
 - Data collection alignment and exchange
 - Exchange of ex-post evaluations results



Horizontal GRP/IRC chapters in RTAs/FTAs: initial findings

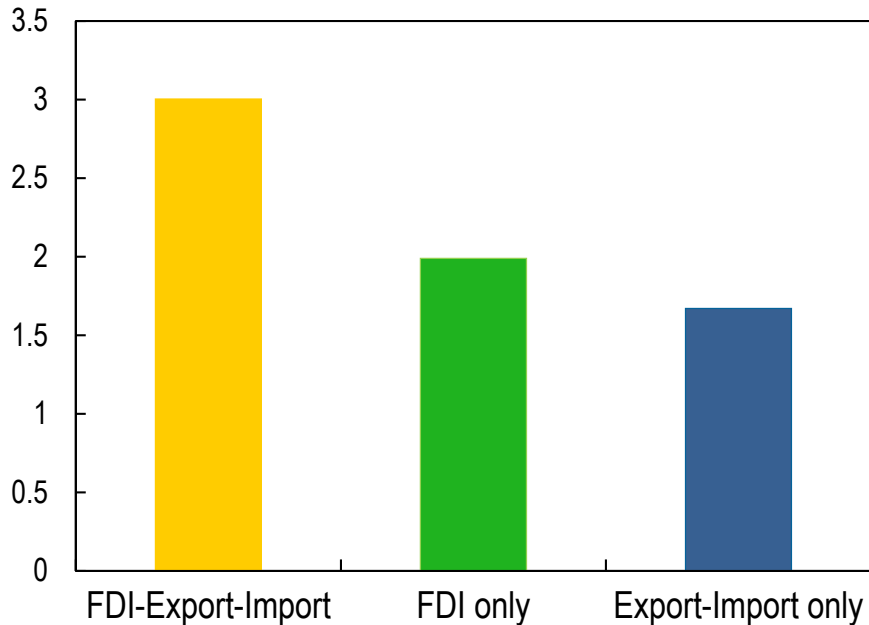
Special GRP/IRC body	<ul style="list-style-type: none">→ CETA's Regulatory Cooperation Forum→ CPTPP's Committee on Regulatory Coherence→ USMCA's Committee on Good Regulatory Practices→ PA's Regulatory Improvement Committee <ul style="list-style-type: none">• Bodies mainly tasked with implementation (CPTPP and PA) <i>vs.</i> Bodies providing a stronger IRC avenue (CETA)
Monitoring of Implementation by Parties	<ul style="list-style-type: none">• Mechanisms requiring parties to submit reports describing steps taken to implement the Chapter. Reports are discussed and reviewed by special body (CPTPP and PA).
GRP/IRC Chapter review mechanism	<ul style="list-style-type: none">• Periodic reviews of chapter and possibility to propose amendments (USMCA, CPTPP and PA)
Chapter stakeholder consultation	<ul style="list-style-type: none">• Mechanisms for interested persons to provide input (CETA, CPTPP and PA).



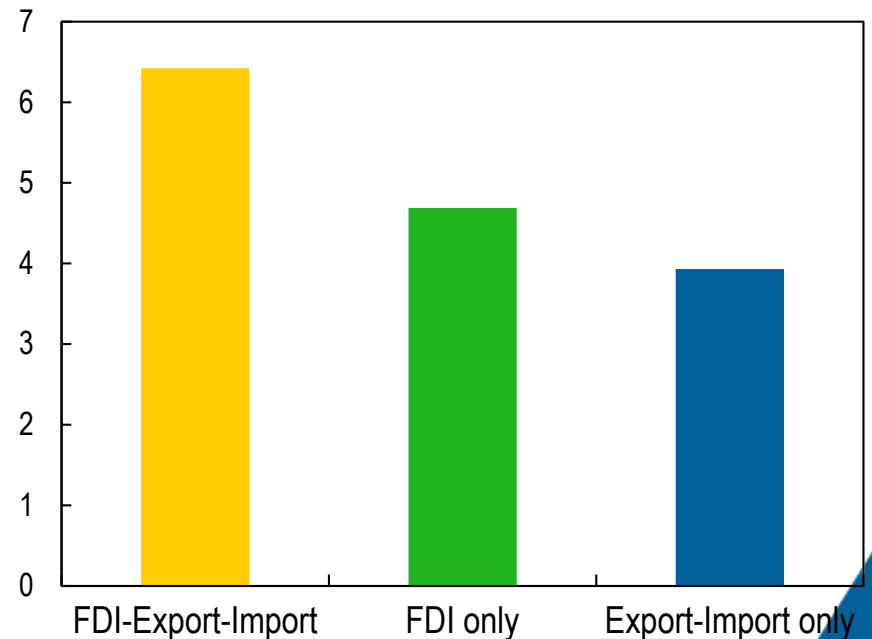
Benefits of RTAs – Investment provisions

create better jobs and add more value to host economies

Wage premium relative to domestic firms
cross-economy average



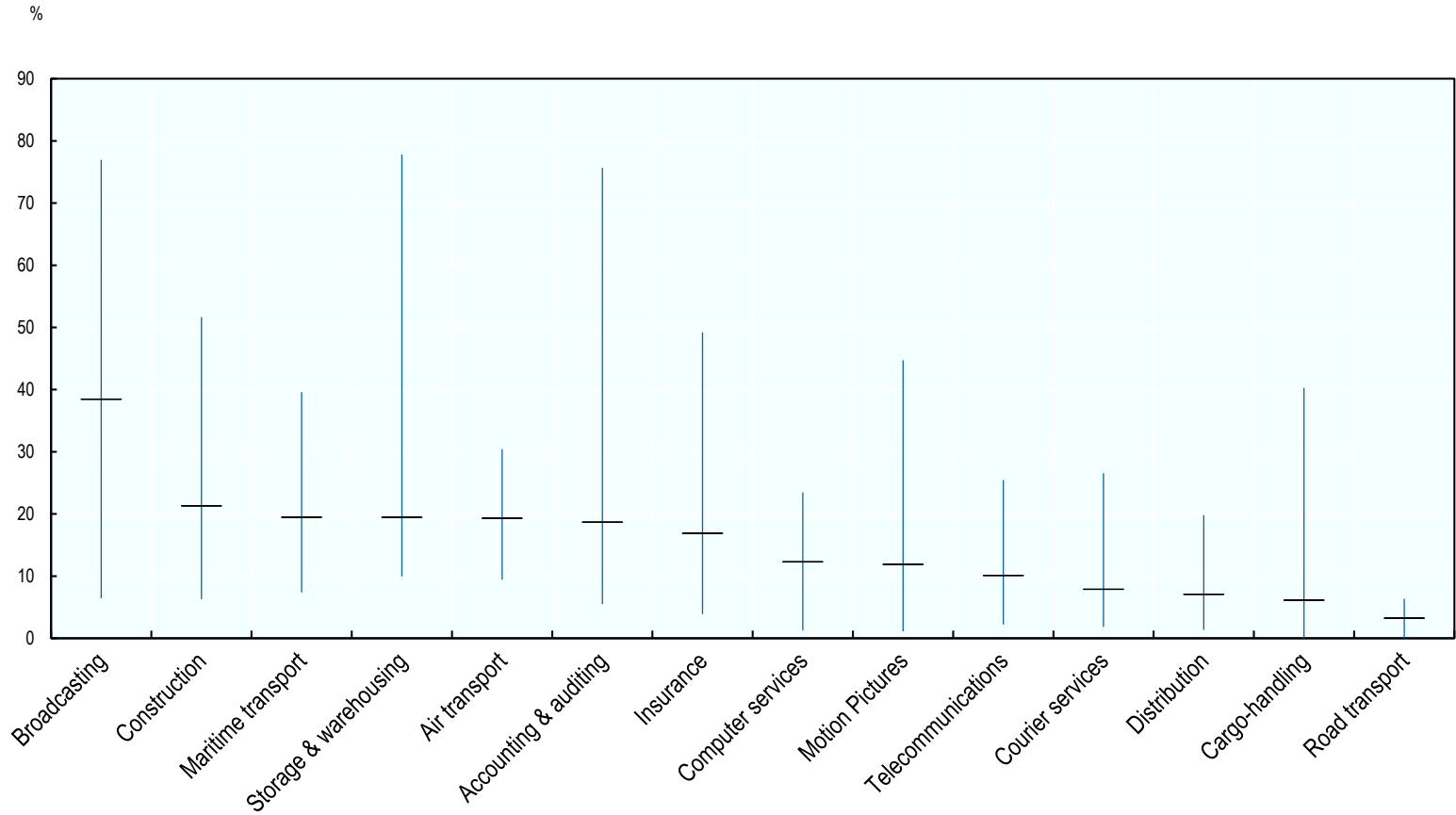
Productivity premium relative to domestic firm
cross-economy average





Benefits of RTAs – Trade in services

Average estimated tax-equivalent of services trade restrictions, by sector, 2014





Benefits of RTAs – International Regulatory Cooperation

- Deep provisions in SPS and TBT in RTAs have significant and positive effect on trade flows
- Binding commitments are important in maximizing post-RTA trade flows
- The work also shows that transparency IRC are significant and robust factors in increasing trade
- Impact takes some time to materialise, which is important when evaluating the effectiveness of deep IRC mechanisms



THANK YOU

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