

Global Economy

dr Wioletta Nowak

Lecture 4

Trade Agreements and Economic Integration

Trade Agreements and Economic Integration

- Trade agreement: a special agreement upon preferential arrangement among a group of nations governing their trade/economic relationship.
- Economic integration - defined as joint action of countries to create a larger economic unit, with special relationships among the members.

Types/Levels of Agreements

Partial Scope Agreement (PSA)

- An agreement between two or more parties in which the parties offer each other concessions on a selected number of products or sectors.
- Includes tariff reductions, rules of origin, customs procedures, and safeguards.

Economic Integration Agreement (EIA)

- refers to agreement on trade in services through which two or more parties offer preferential market access to each other.

Types/Levels of Agreements

Free Trade Area (FTA)

- Member countries eliminate trade barriers among themselves, but maintain individual trade policies on imports from non-member countries,
- often include „rules of origin” to prevent transshipment.

Customs Union (CU)

- Member countries eliminate trade barriers among themselves, and adopt a common trade policy towards non-members.

Common Market

- In addition to requirements of a customs union, no barriers to factor movements among the member countries.

Economic Union

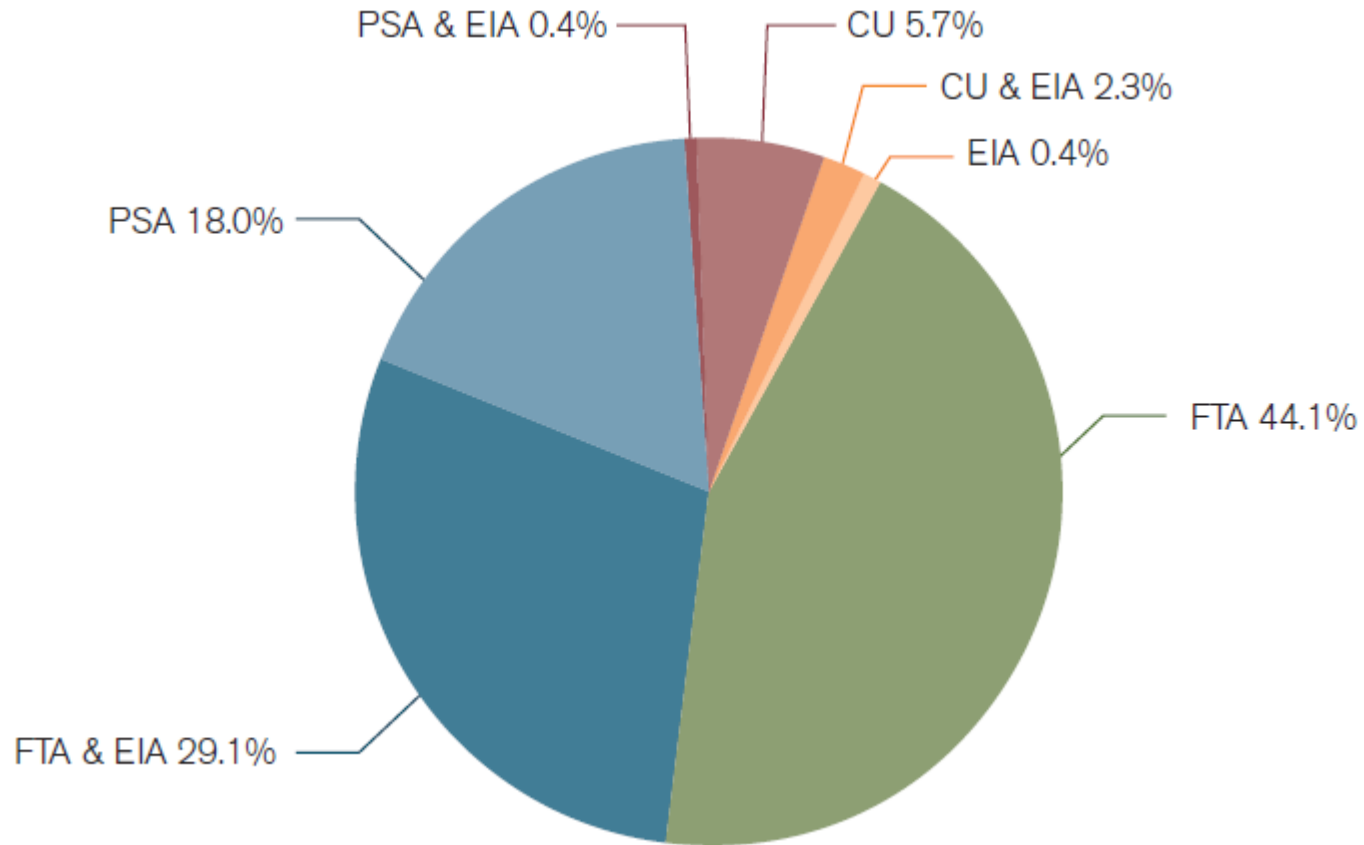
- In addition to requirements of common market, members unify all other economic (fiscal, monetary - common currency) and socio-economic (labour, social security) policies.

The Welfare Implications of Trade/Economic Pacts

- Trade creation: the lowering or removal of tariffs within a group of nations could result in an increase in the amount of trade among members.
- Trade diversion: the lowering or removal of tariffs within a group of nations could divert trade from (more efficient) non-members to (less efficient) members.
- Increased market size - economies of scale.
- The possibility of more competition within the group.
- Knowledge spillovers, reduction in duplication in research.
- More market power.

Types of trade agreements, 2010

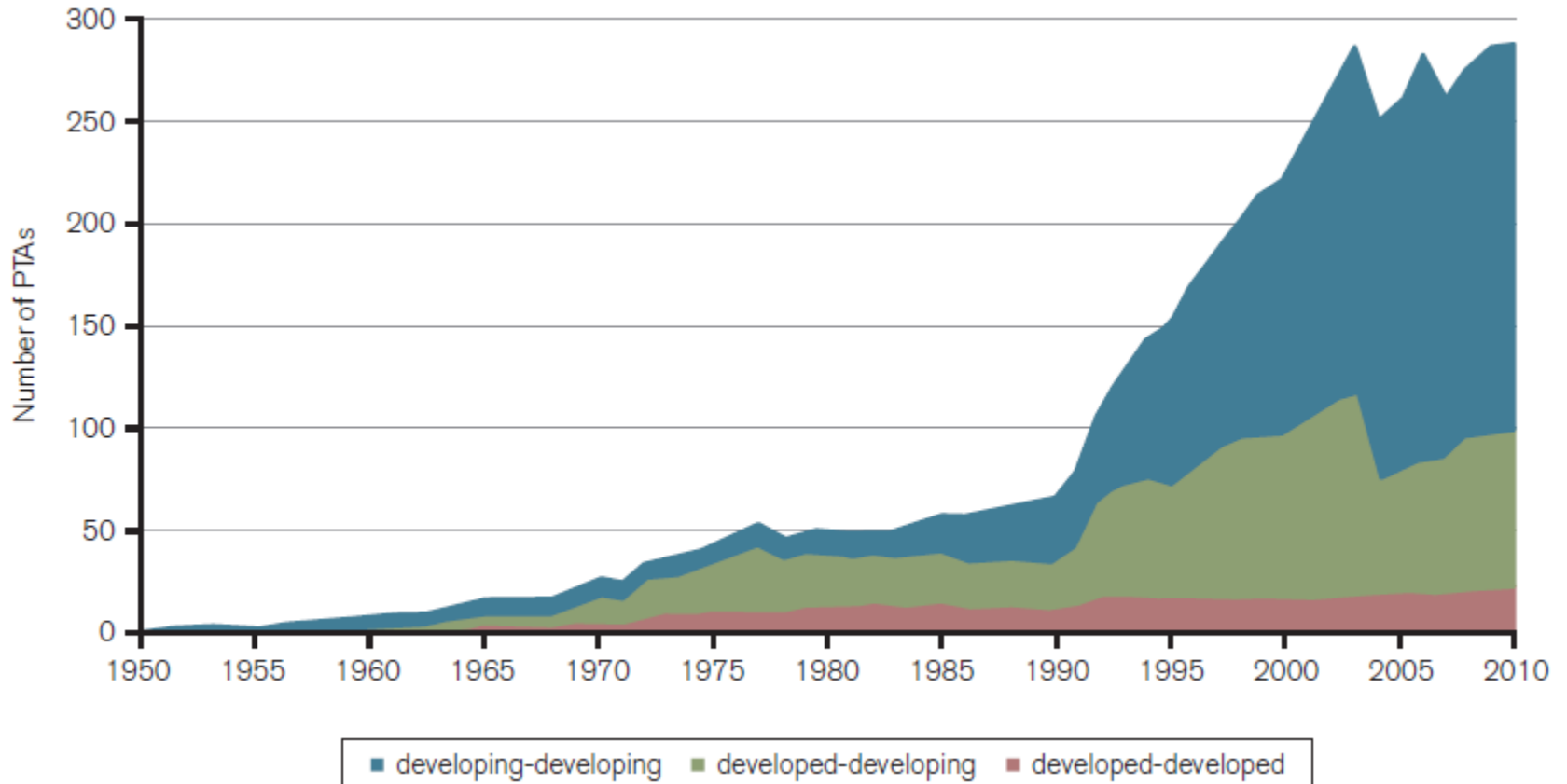
FTA – Free Trade Agreement; EIA – Economic Integration Agreement,
CU – Customs Union, PSA – Partial Scope Agreement



Source: World Trade Report, 2011 (www.wto.org)

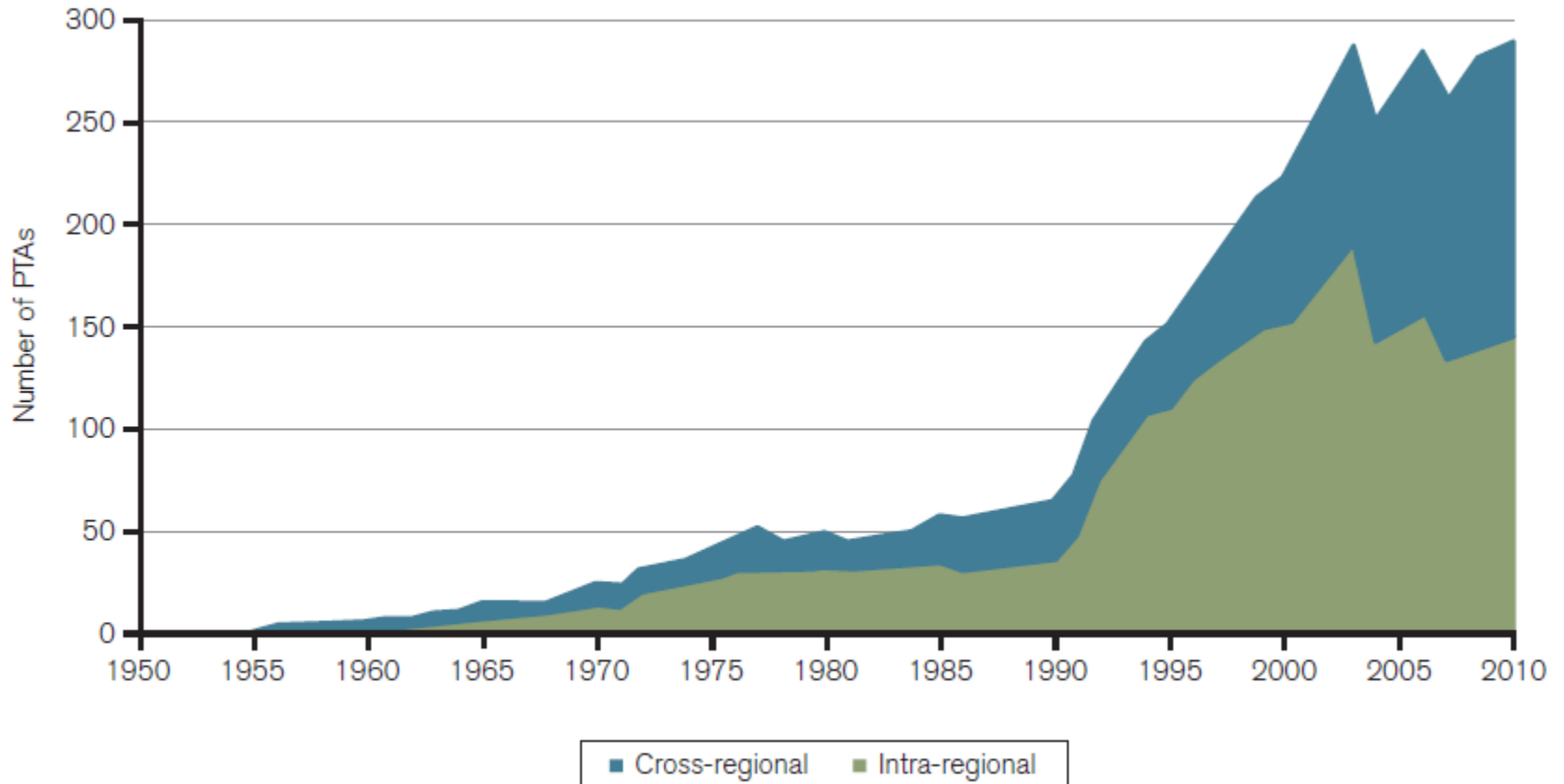
Number of PTAs in force, 1950-2010,

Source: World Trade Report, 2011 (www.wto.org)

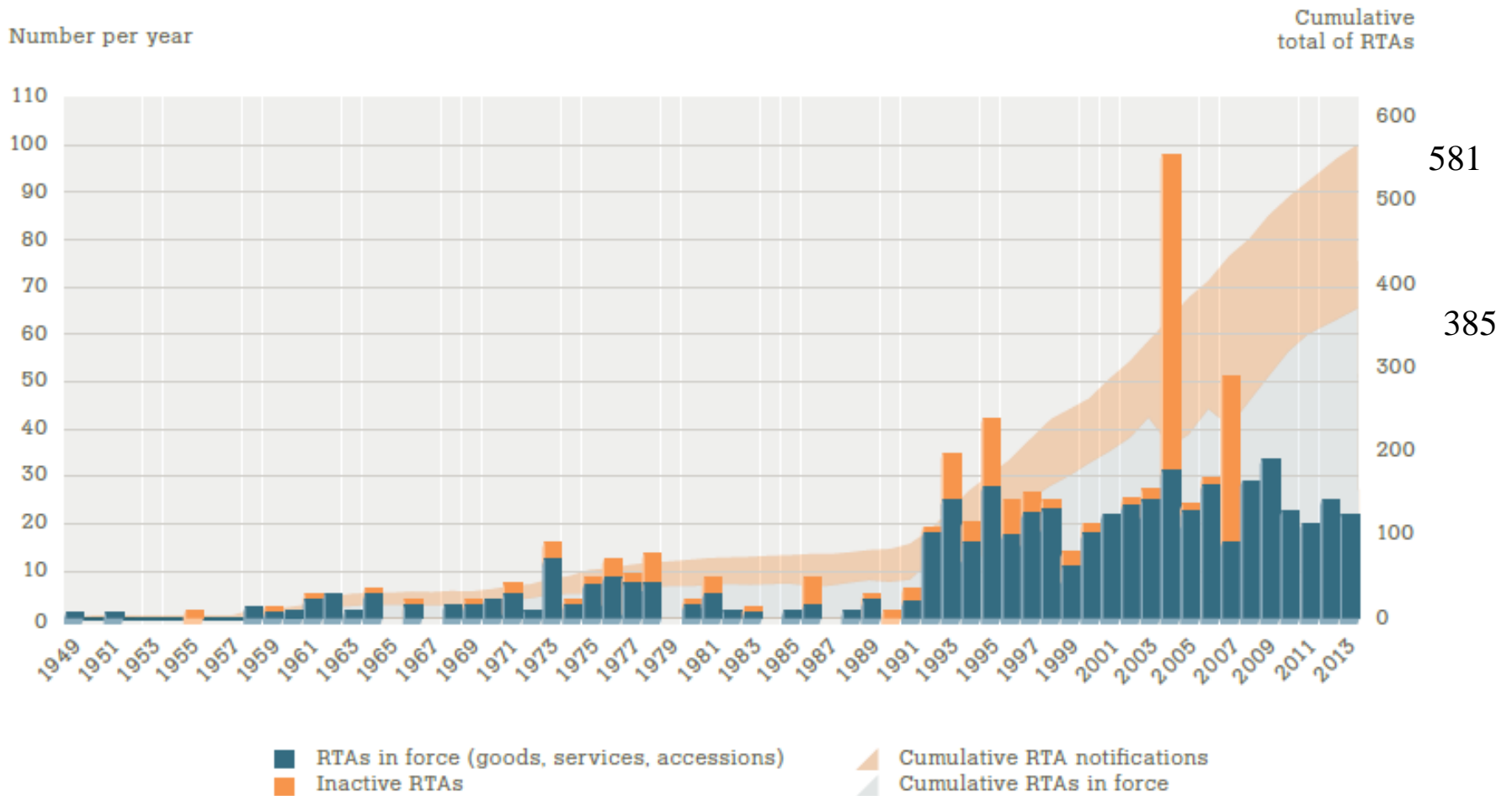


Number of PTAs in force, 1950-2010,

Source: World Trade Report, 2011 (www.wto.org)



All RTAs notified to the GATT/WTO (1949 to 2013) by year of entry into force



Waves of regionalism

- **The first wave** of regionalism occurred in the late 1950s and 1960s.
- **European Coal and Steel Community** in 1951,
- **European Economic Community (EEC)** in 1957,
- **European Free Trade Association (EFTA)** in 1960
- Africa, the Caribbean, Central and South America – **the East African Community** (1967-1977, Burundi, Kenya, Rwanda, Tanzania, Uganda), **the Central American Common Market** (1960- mid-1980s, Guatemala, Honduras, El Salvador, Nicaragua, Costa Rica in 1962)

ASEAN (1967)

- The Association of Southeast Asian Nations (10 members) – **Indonesia, Malaysia, Philippines, Singapore, Thailand, Brunei, Myanmar, Cambodia, Laos, Vietnam.**

Free Trade Areas in Europe

- European Economic Community (EEC) 1957
- The European Union (EU)
- The European Free Trade Association (EFTA)
- The Central European Free Trade Agreement (CEFTA), 1992
- The European Economic Area (EEA) – EU +EFTA (except Switzerland)



Waves of regionalism

- **The second wave** of regionalism began in the mid-1980s and extended well into the 1990s.
- The EC – Central and Eastern European countries
- the EU – a number of bilateral agreements with countries in the Middle East – (with Israel, Jordan, Lebanon and the Palestinian Authority) and North Africa (with Algeria, Egypt, Morocco and Tunisia).

The second wave of regionalism

- the Canada-US Free Trade Agreement in 1988, NAFTA (1994)
- the MERCOSUR (Southern Common Market) - Argentina, Brazil, Paraguay, Uruguay (1991) and Venezuela (2012).
- the Economic Community of West African States (ECOWAS), 1975
- the Common Market for Eastern and Southern Africa (COMESA), 1994

ECOWAS (1975) – The Economic Community of West African States

- Benin, Burkina Faso, Cape Verde, Côte d'Ivoire, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone, Togo

- The Association of Southeast Asian Nations (ASEAN)
- **ASEAN + 3** (China, Japan, South Korea)
- ASEAN-China Free Trade Agreement (ACFTA, 01-Jan-2010)
- ASEAN-India Free Trade Agreement (AIFTA, 01-Jan-2010)

APTA (1975)

- **The Asia Pacific Trade Agreement** (previously Bangkok Agreement) – Bangladesh, China (2001), India, Republic of Korea, Lao, Sri Lanka, Nepal

SAFTA (2004)

- **The South Asia Free Trade Agreement** – Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, Sri Lanka

European Union – List of Notified Regional Trade Agreements in Force

FTA – Free Trade Agreement; EIA – Economic Integration Agreement, CU – Customs Union

Agreement name	Type	Coverage	Date of entry into force
EU – Albania	FTA&EIA	Goods&Services	01-Dec-2006 (Goods), 01-Apr-2009 (Services)
EU – Algeria	FTA	Goods	01-Sep-2005
EU– Andorra	CU	Goods	01-Jul-1991
EU – Bosnia and Herzegovina	FTA	Goods	01-Jul-2008
EU – Cameroon	FTA	Goods	01-Oct-2009
EU – CARIFORUM	FTA&EIA	Goods&Services	01-Nov-2008
EU - Central America (Costa Rica; El Salvador; Guatemala; Honduras; Nicaragua; Panama)	FTA&EIA	Goods&Services	01-Aug-2013
EU – Chile	FTA&EIA	Goods&Services	01-Feb-2003 (Goods) 01-Mar-2005 (Services)
EU - Colombia and Peru	FTA&EIA	Goods&Services	01-Mar-2013

European Union – List of Notified Regional Trade Agreements in Force
 FTA – Free Trade Agreement; EIA – Economic Integration Agreement

Agreement name	Type	Coverage	Date of entry into force
EU – Côte d'Ivoire	FTA	Goods	01-Jan-2009
EU– Egypt	FTA	Goods	01-Jun-2004
EU – Faroe Islands	FTA	Goods	01-Jan-1997
EU – Former Yugoslav Republic of Macedonia	FTA&EIA	Goods&Services	01-Jun-2001 (Goods) 01-Apr-2004 (Services)
EU – Ghana	FTA	Goods	15-Dec-2016
EU – Iceland	FTA	Goods	01-Apr-1973
EU – Israel	FTA	Goods	01-Jun-2000
EU – Jordan	FTA	Goods	01-May-2002
EU – Korea, Republic of	FTA&EIA	Goods&Services	01-Jul-2011
EU – Lebanon	FTA	Goods	01-Mar-2003
EU – Mexico	FTA&EIA	Goods&Services	01-Jul-2000 (Goods) 01-Oct-2000 (Services)

European Union – List of Notified Regional Trade Agreements in Force
 FTA – Free Trade Agreement; CU – Customs Union, EIA – Economic Integration Agreement

Agreement name	Type	Coverage	Date of entry into force
EU – Montenegro	FTA&EIA	Goods&Services	01-Jan-2008 (Goods) 01-May-2010 (Services)
EU – Morocco	FTA	Goods	01-Mar-2000
EU – Norway	FTA	Goods	01-Jul-1973
EU – Overseas Countries and Territories (OCT)	FTA	Goods	01-Jan-1971
EU – Palestinian Authority	FTA	Goods	01-Jul-1997
EU – Papua New Guinea/Fiji	FTA	Goods	20-Dec-2009
EU – San Marino	CU	Goods	01-Apr-2002
EU – Serbia	FTA&EIA	Goods&Services	01-Feb-2010 (01-Sep-2013)
EU– Republic of South Africa	FTA	Goods	01-Jan-2000
EU – Switzerland – Liechtenstein	FTA	Goods	01-Jan-1973

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Agreement name	Type	Coverage	Date of entry into force
EU – Syria	FTA	Goods	01-Jul-1977
EU – Tunisia	FTA	Goods	01-Mar-1998
EU – Turkey	CU	Goods	01-Jan-1996
EU – Canada	FTA & EIA	Goods&services	21-Sep-2017
EU – Georgia	FTA & EIA	Goods&services	01-Sept-2014
EU - Rep. of Moldova	FTA & EIA	Goods&services	01-Sept-2014
EU – Ukraine	FTA & EIA	Goods&services	23-Apr-2014
EU – Japan			Under negotiation
EU – India			Under negotiation
EU – Malaysia EU – Morocco EU – Singapore EU - Viet Nam			Under negotiation
EU-US Transatlantic Trade and Investment Partnership (TTIP)			

China – List of Notified Regional Trade Agreements in Force

PSA – Partial Scope Agreement; EIA – Economic Integration Agreement;

FTA – Free Trade Agreement

Agreement name	Type	Coverage	Date of entry into force
ASEAN-China	PSA & EIA	Goods & Services	01-Jan-2005 (Goods), 01-Jul-2007 (Services)
APTA – Accession of China	PSA	Goods	01-Jan-2002
Chile – China	FTA	Goods	01-Oct-2006
China – Hong Kong, China	FTA & EIA	Goods & Services	01-Jan-2004
China – Macao, China	FTA & EIA	Goods & Services	01-Jan-2004
China – New Zealand	FTA & EIA	Goods & Services	01-Oct-2008
China – Singapore	FTA & EIA	Goods & Services	01-Jan-2009
Pakistan – China	FTA & EIA	Goods & Services	01-Jul-2007 (Goods), 10-Oct-2009 (Services)
Peru – China	FTA & EIA	Goods & Services	01-Mar-2010

China – List of Notified Regional Trade Agreements in Force

PSA – Partial Scope Agreement; EIA – Economic Integration Agreement;

FTA – Free Trade Agreement

Agreement name	Type	Coverage	Date of entry into force
Switzerland - China			under negotiation
The Cross-Straits Economic Cooperation Framework Agreement (ECFA) (The Association for Relations Across the Taiwan Straits (China); The Straits Exchange Foundation (the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu))		Goods & Services	12-Sep-2010
Australia – China			under negotiation
China – Norway			under negotiation

India – List of Notified Regional Trade Agreements in Force

PSA – Partial Scope Agreement; EIA – Economic Integration Agreement;

FTA – Free Trade Agreement

Agreement name	Type	Coverage	Date of entry into force
ASEAN-India (Brunei Darussalam; Myanmar; Cambodia; Indonesia; Lao People's Democratic Republic; Malaysia; Philippines; Singapore; Viet Nam; Thailand; India)	FTA	Goods	01-Jan-2010
Asia Pacific Trade Agreement (APTA) (Bangladesh; China (2002); India; Korea, Republic of; Lao People's Democratic Republic; Sri Lanka)	PSA	Goods	17-Jun-1976
Chile-India	PSA	Goods	17-Aug-2007

India – List of Notified Regional Trade Agreements in Force

PSA – Partial Scope Agreement; EIA – Economic Integration Agreement;

FTA – Free Trade Agreement

Agreement name	Type	Coverage	Date of entry into force
<p style="text-align: center;">Global System of Trade Preferences among Developing Countries (Algeria; Argentina; Bangladesh; Benin; Brazil; Cameroon; Chile; Colombia; Cuba; Ecuador; Egypt; Ghana; Guinea; Guyana; India; Indonesia; Iran; Iraq; Korea, Democratic People's Republic of; Korea, Republic of; Libya; Malaysia; Mexico; Morocco; Mozambique; Myanmar; Nicaragua; Nigeria; Pakistan; Peru; Philippines; Singapore; Sri Lanka; Sudan; Tanzania; Thailand; The former Yugoslav Republic of Macedonia; Trinidad and Tobago; Tunisia; Venezuela, Bolivarian Republic of; Viet Nam; Zimbabwe)</p>	PSA	Goods	19-Apr-1989

India – List of Notified Regional Trade Agreements in Force

PSA – Partial Scope Agreement; EIA – Economic Integration Agreement;

FTA – Free Trade Agreement

Agreement name	Type	Coverage	Date of entry into force
India-Afghanistan	PSA	Goods	13-May-2003
India-Bhutan	FTA	Goods	29-Jul-2006
India-Japan	FTA&EIA	Goods& Services	01-Aug-2011
India-Malaysia	FTA&EIA	Goods& Services	01-Jul-2011
India-Nepal	PSA	Goods	27-Oct-2009
India-Singapore	FTA&EIA	Goods& Services	01-Aug-2005
India-Sri Lanka	FTA	Goods	15-Dec-2001
Korea-India	FTA&EIA	Goods& Services	01-Jan-2010

India – List of Notified Regional Trade Agreements in Force

PSA – Partial Scope Agreement; EIA – Economic Integration Agreement;

FTA – Free Trade Agreement

Agreement name	Type	Coverage	Date of entry into force
MERCOSUR-India (Argentina; Brazil; Paraguay; Uruguay; India)	PSA	Goods	01-Jun-2009
South Asian Free Trade Agreement (SAFTA) (Bangladesh; Bhutan; India; Maldives; Nepal; Pakistan; Sri Lanka)	FTA	Goods	01-Jan-2006
South Asian Preferential Trade Arrangement (SAPTA) (Bangladesh; Bhutan; India; Maldives; Nepal; Pakistan; Sri Lanka)	PSA	Goods	07-Dec-1995

India – List of Notified Regional Trade Agreements in Force

PSA – Partial Scope Agreement; EIA – Economic Integration Agreement;

FTA – Free Trade Agreement

Agreement name	Type	Coverage	Date of entry into force
Bay of Bengal Initiative on Multi-Sectoral Technical and Economic Cooperation (BIMSTEC)			Under negotiation
EFTA – India			Under negotiation
EU – India			Under negotiation
India – SACU (The Southern African Customs Union)			Under negotiation

United States – List of Notified Regional Trade Agreements in Force

FTA – Free Trade Agreement, EIA – Economic Integration Agreement

Agreement name	Type	Coverage	Date of entry into force
Dominican Republic - Central America - United States Free Trade Agreement (DR-CAFTA) (Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, United States)	FTA&EIA	Goods & Services	01-Mar-2006
North American Free Trade Agreement (NAFTA) (Canada, Mexico, United States)	FTA&EIA	Goods & Services	01-Jan-1994
US – Australia	FTA&EIA	Goods & Services	01-Jan-2005
US – Bahrain	FTA&EIA	Goods & Services	01-Aug-2006
US – Chile	FTA&EIA	Goods & Services	01-Jan-2004

United States – List of Notified Regional Trade Agreements in Force
 FTA – Free Trade Agreement, EIA – Economic Integration Agreement

Agreement name	Type	Coverage	Date of entry into force
US – Israel	FTA	Goods	19-Aug-1985
US – Jordan	FTA&EIA	Goods & Services	17-Dec-2001
US – Morocco	FTA&EIA	Goods & Services	01-Jan-2006
US – Oman	FTA&EIA	Goods & Services	01-Jan-2009
US – Peru	FTA&EIA	Goods & Services	01-Feb-2009
US – Singapore	FTA&EIA	Goods & Services	01-Jan-2004
Korea, Republic of – US	FTA&EIA	Goods & Services	15-Mar-2012
US – Colombia	FTA&EIA	Goods & Services	15-May-2012
US – Panama	FTA&EIA	Goods & Services	31-Oct-2012