

ASIA-PACIFIC TRADE AND INVESTMENT TRENDS 2021/2022

*Preferential Trade Agreements in Asia and
the Pacific*





*The shaded areas of the map indicate ESCAP members and associate members.**

The Economic and Social Commission for Asia and the Pacific (ESCAP) serves as the United Nations' regional hub promoting cooperation among countries to achieve inclusive and sustainable development. The largest regional intergovernmental platform with 53 Member States and 9 Associate Members, ESCAP has emerged as a strong regional think-tank offering countries sound analytical products that shed insight into the evolving economic, social and environmental dynamics of the region. The Commission's strategic focus is to deliver on the 2030 Agenda for Sustainable Development, which it does by reinforcing and deepening regional cooperation and integration to advance connectivity, financial cooperation and market integration. ESCAP's research and analysis coupled with its policy advisory services, capacity building and technical assistance to governments aims to support countries' sustainable and inclusive development ambitions.

* The designations employed and the presentation of material on this map do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries.

ACKNOWLEDGEMENTS:

This Brief was prepared by Witada Anukoonwattaka, Economic Affairs Officer, and Natnicha Sutthivana, research consultant, Trade Policy and Facilitation Section (TPFS), Trade, Investment and Innovation Division (TIID) of the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP). Runqiu Du provided substantive inputs. Nikita Shahu and Arushi Vaishnav, provided research assistance. The Brief was developed under the supervision of Rupa Chanda, Director, TIID, and Yann Duval, Chief, TPFS, TIID. The cover design and editorial layout were prepared by Atinun Kaewkanok, communications consultant, TIID. The Brief was copy - edited by Robert Oliver. Nucharat Tuntiwigit provided secretariat support.

Contents

Highlights	1
1. Trends of PTAs in Asia and the Pacific in 2021	3
2. Patterns of PTAs in Asia and the Pacific.....	9
3. Digital trade in PTAs	15
4. Going forward: Improving PTAs for trade in times of crisis and pandemics	20
References.....	23

Highlights

- The Asia-Pacific region is a major contributor of PTAs, accounting for about half of PTAs worldwide. As of November 2021, there are 195 PTAs in force, 19 signed and pending ratification, and 97 under negotiation, that have at least one Party from the Asia-Pacific region.
- Negotiations on many ongoing PTAs were suspended or delayed because of the COVID-19 pandemic, as countries shifted their attention to health emergencies and economic contractions. Notably, fewer PTAs have been signed since the outbreak of COVID-19. Only four new agreements were signed in 2021 (as of November), a decline from 13 in 2019 and 11 in 2020.
- In 2021, however, there have been important developments with regard to mega-trade agreements. The Regional Comprehensive Economic Partnership (RCEP) has been ratified by six ASEAN countries – Brunei Darussalam, Cambodia, the Lao People’s Democratic Republic, Singapore, Thailand and Viet Nam – and four non-ASEAN members – Australia, China, Japan and New Zealand. With ratification by 10 out of 15 member States, the RCEP will take effect on 1 January 2022. For the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), China’s application to join sends a good signal regarding the future expansion of this golden-standard mega trade agreement.
- More noteworthy than the number of new PTAs is the growing array of domestic policy domains that PTAs have come to regulate. Most agreements that have been signed since 2020 onward go beyond trade in goods to cover additional areas such as services, e-commerce, and climate action which lie at the top of the new agenda items for PTA negotiations.
- Recently, liberalization of the digital trade environment and digital trade-related regulations have been embraced by trade negotiations. Following the growing intertwining of digital technology and trade, Digital Trade Agreements (DTAs) have increasingly become a part of new generation trade agreements since 2019. As of 2021, there are five DTAs, all of which involve Asia-Pacific countries, particularly Singapore. In recognition of the centrality of digital trade integration for developing countries, bilateral discussions for potential North-South DTAs have begun, particularly in ASEAN. However, there is a risk that such bilateral discussions could lead to divergent rules, resulting in a ‘digital noodle-bowl’.

- On average, about half of trade in the region is with PTA partners. However, the shares vary greatly at the country level, reflecting diverse policy interest and negotiating capacity across countries. In general, reciprocal trade negotiations rarely involve least developed countries (LDCs) and Pacific developing economies (PIDEs). Selected graduating LDCs could face important challenges to maintaining competitiveness in major export markets after graduation. For example, Bangladesh and the Solomon Islands as well as Kiribati and Tuvalu may face significant challenges to competing in major export destinations after graduation and may lose trade preference. These countries currently have not had PTAs with major trade partners. Their exports to current PTA partners are negligible, ranging between 3% and 11%.
- Looking ahead, the downside economic pressures and the temptation to build back better could raise public expectations for trade agreements. As a result, social and environmental provisions in PTAs may emerge among the top items on the negotiation agenda, to ensure public support for a new PTA. Also, lessons learnt from supply-chain disruptions during the COVID-19 pandemic may call for deeper and more tailored trade agreements that could help to enhance supply-chain and trade resilience on many aspects during crises. To name a few, PTA provisions regarding NTMs, trade facilitation and intellectual properties rights (IPRs) could play a particularly important role in ensuring essential supplies.

1. Trends of PTAs in Asia and the Pacific in 2021

This brief provides an overview of the initiatives and approaches of the Asia-Pacific economies towards PTAs, including recent trends and developments. More specifically, it provides an analysis based on data contained in ESCAP's Asia-Pacific Trade and Investment Agreement Database (APTIAD) to highlight developments of Asia-Pacific involvement in trade agreements in 2021 compared with the previous year.

As of November 2021, 350 'physical' PTAs in force worldwide were notified to the World Trade Organization (WTO), which is almost a seven-fold increase since 2000 (when there were just 55 such agreements). The Asia-Pacific region continues to be an important contributor to the worldwide build-up of PTAs, with nearly half of them currently in force involving at least one Asia-Pacific economy.

Fewer PTAs have been signed since the outbreak of COVID-19, but the next generation trade agreements are emerging with the focus on digital trade

The emergence of COVID-19 has hindered the progress of trade negotiations around the world. Negotiations on many ongoing PTAs have been suspended or delayed, as countries shifted their attention to health emergencies and economic contractions. As a result, the number of new PTAs signed globally reduced significantly during the COVID-19 pandemic. The number of new agreements signed annually decreased from 13 and 11 agreements in 2019 and 2020, respectively, to only four new agreements in 2021 (as of November 2021).¹

The 15 PTAs signed during 2020-2021 include next generation trade agreements that focus on promoting interoperability in cross-border digital trade² (figure 1), i.e., the Digital Economy Partnership Agreement (DEPA) and the Australia-Singapore Digital Economy Agreement (DEA). The period was also marked by the signing of other modern and comprehensive agreements – the Regional Comprehensive

¹ A recent example is the postponement of the formal signing of the Cambodia and Republic of Korea from the proposed period in mid-2021 because of the disruptions caused by the COVID-19 outbreak. Details are available at <https://www.phnompenhpost.com/business/signing-korea-trade-deal-postponed>.

² There is no single recognised and accepted definition of digital trade. According to OECD, there is a growing consensus that it encompasses digitally-enabled transactions of trade in goods and services that can either be digitally or physically delivered, and that involve consumers, firms and Governments. (See <https://www.oecd.org/trade/topics/digital-trade/>.)

Economic Partnership (RCEP)³ and the Phase-I Agreement of China-United States. The latter, signed and enforced in February 2020, stalled the increases of unilateral tariffs since February 2020, but the existing tariffs remain high (Anukoonwattaka and others, 2021). The Phase-I agreement will expire by 31 December 2021 with great uncertainty regarding Phase-II negotiations as the United States is not satisfied with the enforcement of the Phase-I agreement by China.⁴

During the same period, several other bilateral trade agreements have been signed, including:

- (a) Azerbaijan-Turkey; Cambodia-China; Cambodia-Republic of Korea; India-Mauritius; Indonesia-Republic of Korea, the Philippines-Republic of Korea and Republic of Korea-Israel, and
- (b) The set of post-Brexit agreements between the United Kingdom and Asia-Pacific economies: Japan-United Kingdom; Singapore-United Kingdom; Turkey-United Kingdom and Viet Nam-United Kingdom (figure 1).⁵

It must be noted that although 10 of the 15 agreements have been signed or come into force they have not been notified to the WTO (and therefore are not observing the Transparency Mechanism agreed on by the WTO members).

As of November 2021, seven of the new 15 agreements signed during 2020-2021 have been ratified and put into force. The seven agreements include: Australia-Singapore DEA; DEPA;⁶ India-Mauritius; Japan-United Kingdom; Singapore-United

³ The RCEP was signed in November 2020 after it had been negotiated for eight years since 2012 by 16 countries, but India withdrew in November 2019. For more details about RCEP, see ESCAP (2020).

⁴ Under the Phase-I agreement, China has committed to increasing imports of certain United States goods and services by US\$ 200 billion above the 2017 baseline levels by the end of 2021. As of September 2021, China's purchases of all covered products reached 62 per cent (Chinese imports) or

预览已结束，完整报告链接和二维码如下：

https://www.yunbaogao.cn/report/index/report?reportId=5_206

