

TRENDS AND SIGNIFICANCE OF REGIONAL TRADE AGREEMENTS**Srijanee Chattopadhyay¹, Dr. Manoj Parmar²**

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Abstract:

RTAs play a significant role in international trade and may even represent an irreversible trend. The number of RTAs and the volume of trade carried out inside regional trade associations have both been substantially rising. The biogeographical zones between trading partners are typically not taken into account by trade agreements, making the introduction of undesired species all but certain. Trading frequently allows a population of a hazardous species to grow, endangering the development of beneficial species. Trade in the same species from areas where quarantine is not practised could jeopardize exotic species that have been brought into cultivation through the costly quarantine process. In this article, trends and significance of regional trade agreements have been discussed.

Keywords:Regional, Trade, Agreements, India

INTRODUCTION:

The World Trade Organization seeks to remove trade restrictions using the Most Favoured Nation (MFN) principle, which is non-discriminatory. RTAs are an integral feature of the WTO trading system and were included in both GATT and the following General Agreement on Trade in Services (GATS), but at first glance they appear to violate the crucial MFN principle. (WTO, 2016). However, the three sets of regulations that make up the WTO's rules state that "WTO Members are entitled to join into such agreements under particular conditions." (WTO, 2016).

- According to the 1994 Understanding on the Interpretation of Article XXIV of the GATT,

paragraphs 4 to 10 of Article XXIV of the GATT provide for the establishment of customs unions and free trade zones that cover trade in products;

- Enabling Clause, which refers to preferential trade agreements in goods trade between developing nation Members and is found in the 1979 Decision on Differential and More Favourable Treatment, Reciprocity, and Fuller Participation of Developing Countries;
- The conclusion of RTAs in the domain of trade in services, for both industrialised and developing nations, is governed by Article V of the GATS.

SIGNIFICANCE OF REGIONAL TRADE AGREEMENTS:

Regionalism is a significant characteristic of the current global economic system, and it is increasingly seen as a trend for the future of the international scene. Although regionalism has been around for a very long time in many parts of the world, it is becoming increasingly significant in international trade. However, "because of obstacles in achieving global trade agreements, the RTAs became second best alternative" (Suominen, 2009). RTAs may also be used for other objectives, such as promoting regional security and stability. The 1990s saw the beginning of the most recent wave of RTAs, which is referred to as the second wave of regionalism. As a result, the global trade system has observed distinct waves of RTAs across time. Following the consequences of the European Economic Community (EEC), which was founded in 1957, the first wave of regionalism emerged. However, until the mid-1990s, when another wave of regionalism arose, the EEC remained the sole successful regional integration programme. The foundation of the EEC resulted in the signing of a small number of RTAs in Africa and Latin America in the 1960s to 1980s. This new wave of regionalism addresses trade barriers beyond tariffs, encompasses additional economic sectors, and deals with non-members in a less discriminating manner.

WORLDWIDE TREND OF REGIONAL TRADE AGREEMENTS:

The Regional Trade Agreements (RTAs) that each World Trade Organization member is required to notify. Nearly all of the WTO's members have confirmed they are parties to one or more RTAs, and some are even parties to twenty or more. Over 400 additional arrangements covering trade in goods or services have been notified since the establishment of the WTO in

1995, bringing the total number of notifications of RTAs (related to trade in products) received by the GATT since 1948 to 124.

The Regional Trade Agreements (RTAs) have grown in popularity since the 1990s, according to the WTO. The GATT/WTO had received 604 notifications of RTAs as of January 8, 2015 (including distinct notifications for goods, services, and accession). 398 of these were operational. These WTO data relate to 446 physical RTAs, 259 of which are in effect at the moment (including goods, services, and accession). New RTA negotiations still involved a large number of WTO Members. The majority of new discussions are bilateral, on average, among all agreements currently in effect. According to Martyn (2001), "however a recent development has been perceived in negotiations among several WTO members," this new development includes talks for the Trans Pacific Partnership (TPP) Agreement, which are currently being held in the Asia Pacific Region between 12 parties, as well as talks for the Regional Comprehensive Partnership Agreement (RCEP), which is being held in Asia between members of ASEAN and six other WTO members with whom ASEAN has agreements in force.

Table 1 : RTAs in effect globally in 2016

	Accessions	New RTAs	Grand Total
GATT Art. XXIV (FTA)	2	219	221
GATT Art. XXIV (CU)	9	11	20
Enabling Clause	2	39	41
GATS Art. V	6	135	141
Grand Total	19	404	423

WTO secretariat, cited.

As we saw earlier, there are primarily three sets of rules for RTAs. These are the Enabling Clause and Art. V of GATS, paragraphs 4 to 10 of Article XXIV of the GATT, and the RTAs in force on the basis of their notification in the WTO's norm for regional trade agreements. The provided graph demonstrates that the greatest number of RTAs notified come under WTO's rule of GATT Art. XXIV (FTA), followed by 141 RTAs notified under WTO's rule of GATS Art. V and 41 RTAs notified under Enabling Clause of WTO's rules.

TRENDS OF REGIONAL TRADE AGREEMENTS IN ASIA:

Over the past ten years, Asia has witnessed an increase in the number of Regional Trade Agreements (RTAs). Such RTAs are becoming increasingly common, which underlines a significant and possibly crucial regional policy trend. By encouraging regulatory cooperation and more convergence among contracting parties, RTAs have the potential to achieve deeper integration in comparison to the multilateral trade liberalisation under the WTO. Additionally, although multilateral trade liberalisation typically enables the most competitive suppliers to access the market, "RTAs may also offer additional benefits for less competitive exporters through a multiplier effect of reduction/elimination of tariff barriers and significant reduction of non-tariff barriers (NTBs)" (Lynch, 2010). Despite the fact that the number of RTAs in Asia has increased over time, Asian RTAs differ from RTAs in other parts of the world in a number of notable ways, including a tendency to be less organised and institutionalised. When compared to other RTAs, Asian RTAs tend to follow economic integration rather than initiate it. "In Asian RTAs, trade collaboration has been observed more frequently than monetary cooperation, and trade cooperation has been established as a primary goal of that RTA's establishment" (Scolly 2001). Major changes in Asia's regional integration trend followed the founding of the Association of South East Asian Nations (ASEAN). Ten Southeast Asian nations make up the geopolitical and economic association known as ASEAN. As one of the world's fastest growing areas, ASEAN has a market size of over half a billion people, making it greater than the markets of the United States or Europe. In the past 15 years, ASEAN has become a key player in the development of regional trade agreements in Asia. Nearly all of Asia's major nations, including China, Japan, Australia, South Korea, and India, have established regional trade agreements with ASEAN at this time. The list of significant FTAs that are currently in force in the Asian region is shown in the following table.

Table 2: Significant FTAs in Effect in Asia

FTAs	Date in Effect
Australia- New Zealand	January, 1983
Laos- Thailand	June, 1991
AFTA	January, 1992
Singapore- New Zealand	January, 2001

Japan- Singapore	November, 2002
Singapore- Australia	July, 2003
ASEAN- China	January, 2004
Thailand- India	September, 2004
Thailand- Australia	January, 2005
Thailand- New Zealand	July, 2005
Singapore- India	August, 2005
Singapore- South Korea	March, 2006
Trans Pacific Strategic Economic Partnership Agreement (P4)	May, 2006
Japan - Malaysia	July, 2006
ASEAN- South Korea	June, 2007
Japan- Thailand	November, 2007
Japan- Indonesia	July, 2008
Japan- Brunei	July, 2008
China - New Zealand	October, 2008
ASEAN - Japan	December, 2008
Japan- Philippines	December, 2008
Singapore - China	January, 2009
Japan - Vietnam	October, 2009
ASEAN- Australia New Zealand	January, 2010
ASEAN- India	January, 2010
South Korea- India	January, 2010
Malaysia - New Zealand	August, 2010
Hong Kong- NZ	January, 2011
Malaysia- India	July, 2011
Japan - India	August, 2011

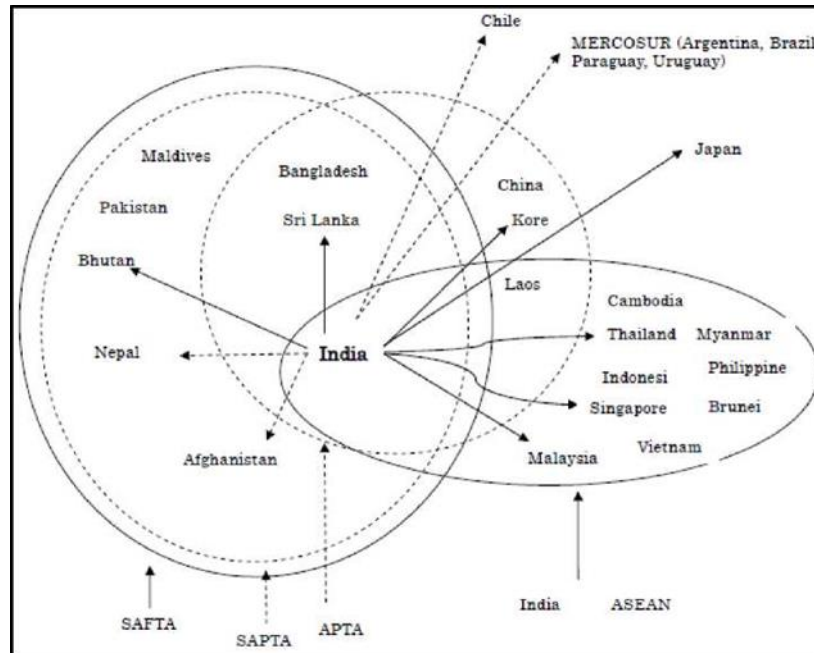
Source:WTO Secretariat

INDIA'S PROPENSITY FOR REGIONAL TRADE AGREEMENTS:

Trade agreements are any legal agreements that one state has with another state/s that govern their trading relations. Trade agreements between more than two governments or countries, whether bilateral or multilateral, are both possible. According to this assertion, trade agreements are utilised to reduce trade obstacles and increase commerce. (Francis, 1909). RTAs are seen as

beneficial barriers by India in the process of reaching the ultimate objective of trade liberalisation. It has so committed to a number of RTAs, including free trade agreements, preferential trade agreements, and accords for comprehensive economic cooperation. Bilaterally or within a regional alliances, these agreements are broken. Over the past ten years, India's trade policy has undergone a notable shift toward regionalism with the signing of numerous RTAs. India became the first nation to join the RTA when the Bangkok Agreement was accepted by the government in 1975. Due to its very limited scope, it was reincarnated as the Asian Pacific Economic Agreement (APTA) in 2005, and significant trade liberalisation amongst its members started. It originally started as a regional effort comprising disadvantaged nations in the Asia Pacific region. One of India's main RTAs is the South Asian Association for Regional Cooperation (SAARC), which was founded in 1985. Another regional undertaking including the nations of South Asia was the (PTA) SAPTA, which was founded in 1995 by members of the South Asian Association for Regional Cooperation (SAARC). It was elevated from being a SAFTA to an FTA in 2006. The first bilateral FTA signed by India was with Sri Lanka (ISFTA). It came into effect in March 2000. Table 3.3 displays the list of RTAs that India has notified as being in force following the signing of various additional RTAs since 1991. This list also includes a brief summary of the notified RTAs in India. South Korea, the Democratic People's Republic of; Korea, the Republic of; Libya; Malaysia; Mexico; Morocco; Mozambique; Myanmar; Nicaragua; Nigeria; Pakistan; Peru; Philippines; Singapore; Sri Lanka; Sudan; Tanzania; Venezuela, the Bolivarian Republic of; Viet Nam; Zimbabwe; Argentina; Bangladesh; Benin; Bolivia, the Plurinational State of; Brazil; Cameroon; Chile; Colombia; Cuba; Ecuador; Egypt; Ghana; Guinea; Guyana; India; Indonesia; Iran.

Fig. 1 :List of the active notified RTAs for India



Source: JETRO, (2008). ‘South-South Trade in Asia: the Role of Regional Trade Agreements’, A report by UN Publications.

A crucial agreement for India, the newly inked ASEAN-India FTA has been in effect since January 2010 and has assisted the nation in achieving its objective of enhancing its political and economic ties with its neighbors. The 10 countries that make up ASEAN are Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam. India's primary entrée into the influential south Asian regional commercial bloc is thought to be the ASEAN-India Free Trade Agreement (AIFTA). The arrangement will benefit both sides because the expanded market access will increase bilateral trade by double. The agreement is expected to diminish Indian exporters' dependency on western countries by allowing them access to the \$1.1 trillion ASEAN market.

With various countries throughout the world, India has negotiated a number of RTAs, and it plans to continue this trend of regional participation in the future. Table lists the regional trade agreements with India for which an early announcement has been made. This illustrates India's participation in the regional economic integration strategy. India anticipates that the last round of

talks on these agreements will happen as early as possible.

Table 3. India’s RTAs that have received an early announcement are listed

Agreement name	coverage	status	region	type
Bay of Bengal Initiative on Multi Sectoral Technical and Economic Cooperation (BIMSTEC)	Goods	Early announcement Under negotiation	West Asia; East Asia	Free Trade Agreement
EFTA India	NA	Early announcement Under negotiation	Europe; West Asia	NA
EU India	NA	Early announcement Under negotiation	Europe; West Asia	NA
India SACU	Goods	Early announcement Under negotiation	Africa; West Asia	Partial Scope Agreement

Source: WTO, RTA database, www.wto.in

CONCLUSION:

The size, scope, and cross-cutting membership of the web of RTAs have grown so complicated that it undermines the WTO's multilateral trading system, despite the fact that this new regionalism is non-discriminatory. As a result, "RTAs have become increasingly problematic" (RTA database, 2016). Jadish Bhagwati, an economist at Columbia University, compares the development of RTAs and the complexity they add to commerce to a "spaghetti bowl." The term "noodle bowl" is now used to describe Asian RTAs that follow this motif.

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